

國立政治大學中國大陸研究英語碩士學程

International Master's Program in China Studies

College of Commerce

National Chengchi University

碩士論文

Master's Thesis

**The Development of Advertisement Market in
China**

中國廣告市場之研究

Student: Yun-kai Lee

Advisor: Professor Jen-Te Hwang

中華民國 98 年 7 月

July 2009

中國廣告市場之研究

The Development of Advertisement Market in China

研究生：李雲開

Student: Yun-Kai Lee

指導教授：黃教授仁德

Advisor: Jen-Te Hwang



Submitted to International Master's Program in China Studies

National Chenchi University

In Partial fulfillment of Requirement

For Degree of Master in China Study

中華民國 98 年 7 月

July. 2009

Abstract

In the three decades prior to 1979, there was no advertising industry in China; TV and radio did not broadcast advertisements until the Third Plenary Session of the CCP (Dec. 1978) set up the guidance of the Socialism Modernization, which encouraged all industries, including the restoration and rapid growth of advertising.

Having been developed for more than 30 years, China's advertising market was forecasted to become the world's second largest market within a few years. The business had 640,000 employees, and an annual turnover of more than 10 billion RMB. Moreover, the revenue from media advertising of the twelve Asia-Pacific region countries rose to US\$ 83.5 billion in 2006, and China shared more than half of the region's total amount. China's advertising revenue was estimated to reach RMB267.5 billion in 2010, RMB519.6 billion in 2015, i.e. three times more than in 2006.

Even though the expenditure of Chinese Market is prosperously increasing, there uncertainties still exist behind the prosperity and the development of the advertising market. These include the inefficiency of local Chinese advertising enterprises, on average 25 times less than foreign enterprises, and the low-productivity of local companies' employees, which is estimated at 6 times less than that of the employees of foreign enterprises.

However, the forecast for China's advertising market remains one of prosperous development, and the world still attaches great importance to it. Therefore, this study seeks to research and compare different data from academic sources, advertising

enterprises, and Chinese official documents in order to examine how modern Chinese advertising and modern media are ready to keep pace with the international society.



Contents

| | |
|---|----|
| Chapter 1 Introduction | 1 |
| 1.1 Motivation and Purpose..... | 1 |
| 1.2 Research Methodology and Expect Results | 2 |
| Chapter 2 Development of China's Advertising Market | 3 |
| 2.1 Thirty-Year Lag in the Advertising Industry..... | 4 |
| 2.2 World's 3 rd Largest Advertising Market and Ranking | 6 |
| 2.3 Two Stages of Advertising Market Growth..... | 10 |
| 2.4 Internationalization of the Advertising Business and Its Influences | 12 |
| 2.4.1 Multinational Advertising Giants in China..... | 12 |
| 2.4.2 "Scattered and Weak" Domestic Companies..... | 13 |
| 2.5 Well-off Families are accelerating the Advertising Market | 14 |
| 2.6 Summary | 17 |
| Chapter 3 Characteristics of China's advertising Market..... | 18 |
| 3.1 Multiregional Market by Different Regions | 18 |
| 3.2 Straightened and Controlled by the Legal System | 22 |
| 3.3 Media Dominates the Market | 24 |
| 3.4 Limited Grouping of Newspaper | 26 |
| 3.5 Enormous Development of Private Advertising Enterprises..... | 30 |
| 3.6 Summary | 31 |
| Chapter 4 Status of China's Advertising Market..... | 32 |
| 4.1 Advertising Expenditure on Major Media..... | 33 |
| 4.1.1 CCTV holds the Most Advantages in Market | 35 |
| 4.2 Advertising Expenditure of Enterprises | 36 |
| 4.3 Foreign & Domestic Famous Brands in China | 36 |

| | | |
|------------|---|----|
| 4.4 | Top Advertising Media in China | 40 |
| 4.5. | New Media in China..... | 41 |
| 4.5.1 | Internet & Cell phones | 43 |
| 4.5.1.1 | Popularity of Cell Phone in Major Cities..... | 47 |
| 4.5.2 | Urban Popular Media: Buildings LCD TV..... | 47 |
| 4.6 | Top Advertising Agencies in China..... | 49 |
| 4.7 | 2008 Beijing Olympics | 50 |
| 4.7.1 | Sponsors, Partners and Exclusive Suppliers of Beijing Olympics...53 | |
| 4.7.2 | Advertising Spending during the Olympic Period | 54 |
| 4.7.3 | Winners of Olympic Advertising | 55 |
| 4.8 | Summary..... | 56 |
| Chapter 5 | Perspective of China's Advertising Market..... | 58 |
| 5.1 | Online Advertising Attracts Advertisers..... | 58 |
| 5.2 | Children are the Future Market..... | 60 |
| 5.3 | Trend of Growth in the Advertising Market | 61 |
| 5.4 | Problems of Chinese Advertising Market..... | 63 |
| 5.4.1 | Influences of Financial Crisis..... | 63 |
| 5.4.2 | Insecure Consumers..... | 65 |
| 5.4.3 | Disorganized Online Advertisements..... | 66 |
| 5.4.4 | Lack of Consumer Credibility..... | 68 |
| 5.4.5 | Lack of Professional Manpower..... | 69 |
| 5.5 | Summary..... | 71 |
| Chapter 6 | Conclusion and Recommendations..... | 72 |
| References | | 78 |

List of Tables

| | | |
|-----------|---|----|
| Table 2-1 | Popular Media in China..... | 5 |
| Table 2-2 | Distribution of Advertising Turnover: 1983-2005..... | 6 |
| Table 2-3 | Advertising spend of TV, Newspapers and Magazines in the 12 Asia Pacific Market: 2006-2007 | 8 |
| Table 2-4 | Globe's Top 4 Total Advertising Expenditure across all Media: 2005-2007 | 9 |
| Table 2-5 | Index of Chinese Advertising Industry: 1981-2006 | 11 |
| Table 2-6 | Numbers & Revenue of Local and Foreign Advertising Companies: 2006 | 14 |
| Table 2-7 | Average Revenue Comparison between Local and Foreign Advertising Companies: 2006..... | 15 |
| Table 2-8 | Spending on Cosmetics and Perfumes in China:1998-2003 | 16 |
| Table 3-1 | Development of Three Regions in China;2004 | 21 |
| Table 3-2 | Top 5 Advertising Developed Cities and Provinces in China:2003 | 22 |
| Table 3-3 | Shares of Advertising Companies & Media during the Initial Period..... | 25 |
| Table 3-4 | Distribution of Advertising Expenditure in Different Media:2007-2008 | 26 |
| Table 3-5 | Major Newspaper Groups in China by Circulation:2008 | 29 |
| Table 3.6 | Comparison of Types of Advertising Companies:2004 | 31 |
| Table 4-1 | Advertising Expenditure of Major Media in China:2000-2006..... | 34 |
| Table 4-2 | Top Advertising Media by Revenue:2006-2007 | 35 |
| Table 4-3 | China's Major Advertisers by Expenditure:2004-2007..... | 37 |
| Table 4-4 | Best Domestic Brands in China: 2006..... | 39 |
| Table 4-5 | Most Valuable Brands in China..... | 40 |
| Table 4-6 | Top Brands Spending in Different Media:2008..... | 41 |

| | | |
|------------|---|----|
| Table 4-7 | Globe's Top 3 Internet & Mobile Markets | 44 |
| Table 4-8 | Major Internet Sites/Portals in China..... | 44 |
| Table 4-9 | Degree of Media Attention from Audiences in Major Cities..... | 45 |
| Table 4-10 | Scale of China's online advertising Market: 2001-2010 | 46 |
| Table 4-11 | To use or not to use Mobile Phones..... | 48 |
| Table 4-12 | Accumulation of Short Message Services in China: 2004-2006..... | 48 |
| Table 4-13 | Attitude toward Buildings LCD TV in Major Cities..... | 49 |
| Table 4-14 | Recall Rates of Household TV & Building LCD TV | 49 |
| Table 4-15 | China's Top 10 Advertising Agency Ranking by Revenue: 2003-2006..... | 52 |
| Table 4-16 | Sponsors, Partners and Exclusive Suppliers to the Beijing Olympics.... | 54 |
| Table 5-1 | New Product Information Images of Chinese Children | 61 |
| Table 5-2 | Advertising Revenue Forecasts Based on 14.2% GDP Growth Rate..... | 61 |
| Table 5-3 | Advertising Revenue Forecasts Based on 9.5% GDP Growth Rate | 62 |
| Table 5-4 | Advertising Departments in China's Institutions and Colleges..... | 70 |

List of Figures

| | | |
|------------|---|----|
| Figure 2-1 | Share of Major Media Spending in the Asia-Pacific Region..... | 7 |
| Figure 5-1 | Unified Format of the Websites of Sina and Alibaba..... | 68 |
| Figure 5-2 | Consumer Confidence in Commercial Advertising..... | 69 |



Chapter 1 Introduction

1.1 Motivation and Purpose

Ever since starting work for the public media, the Police Radio Station, I have been strongly attracted to the tremendous activity and creativity of Taiwan's advertising industry. Almost everyone in the prosperous and developed Taiwanese society is fascinated by commercials packed with brilliant ideas, and those outstanding offerings have led me to recognize that the spirit of competition in the advertising market is the crucial element to inspire the production of the better advertising of a public radio station.

China has two sides, separated by the Taiwan Strait, which became known as the "iron curtain" after 1949. On the Taiwanese side, there is a well known "Taiwan experience" of a hard-working society, while on the other side of the Taiwan Strait, China is writing its experience of a new economy, and many new lessons are being created and need to be learned. China implemented an "open door" policy in the late 1980s, which gradually narrowed the distance between the two sides, and fostered a sustainable and steady economic growth with an annual 10% GDP growth rate. On the contrary, because Taiwan had ignored the strengthening economic power of China for a decade, China's reform less benefited Taiwan, and had the opposite effect on Taiwan's economic development. Moreover, the two sides' governmental "decentralization" and governmental "streamline" policies were implemented at almost the same time, in the late 1990s, which prospered China but ensured the loss of government elites and competence in Taiwan. The opposing consequences of the reform of both sides demonstrated that the Taiwanese governmental system needed

more flexibility and vitality for better progress. Since the cross-strait governmental elements were closely related to their similarity of social and economic developments, it is essential to make a step-by-step analysis and study the development of China's experience. This could begin with one of the creative industries, i.e. the advertising market, and it is the intention of this study to endeavor to reach a reasonable conclusion of the development of China's advertising market to illustrate the merits and de-merits of China's policy.

1.2 Research Methodology and Expected Results

The study will research and compare different sources of information from academic data, the advertising business and official websites, in order to analyze and examine how modern Chinese advertising has developed, and has actively participated in the economic arena, media and advertising enterprises, as a force which has permeated different levels of people's lives, and become an integral part of modern family life and social activities. These sources are gathered and analyzed to form academic research literature. A large amount of the data based on advertising market research is taken from literature, mainly from websites, and focuses on describing the development and status of the Chinese advertising market and the topics stated above. The data contained in this study is taken from the work of academics, Chinese officials and advertising industry statistics from enterprises, as well as some news reports for updated information.

***Chapter 2* Development of China's Advertising Industry**

China's trade began as early as the Shang Dynasty (商朝, 1600-1046 B.C.),¹ when commercial activities, including the exchange of goods (seashell) and currency prospered during the Warring States Period (453B.C. to 221A.D.). In ancient China, merchants mainly promoted their goods by “bowls (叫賣),” “ veils (幌子),” “ flags (旗幟),” and “sign boards (招牌)” Then, after paper-making was invented in 106 AD, paper was very soon used by merchants to promote their businesses. In the late Chin (清) Dynasty, especially after the Opium War (1839-1842), the Great Powers imported numerous goods and capital into China, which intensified the competition between domestic and foreign enterprises, and initiated advertising in the mass media and the birth of the advertising industry (Gu, 2007).

After the founding of the People's Republic of China in 1949, highly centralized and planned economic systems prevented the development of the advertising industry for a prolonged period of time. Prior to 1979, there was almost no advertising market in China. Advertising was only undertaken by a dozen operating units, in which only a handful of employees delivered a few advertisements. Basically, television and radio did not broadcast advertising. Furthermore, in the era of the “Cultural Revolution,” Chinese society totally rejected advertising operations, and advertising commercials were forced to be suspended until the Third Plenary Session of the Eleventh Party in 1978. By taking economic construction as the central task, adhering to the Four Cardinal Principles, persevering in reform guided by the basic line, and the gradual liberation of people's thinking, many of the economic field's “forbidden zones” were

¹ In accordance with Chinese characters, “Shan” has the same meaning as “commerce.”

demolished, and merchandise advertisements eventually appeared in China.

2.1 Thirty-Year Lag in the Advertising Industry

The Chinese government had been heavily involved in the media for three decades since 1949, since the large media organizations were agencies of the government. After Mao's death, the Chinese media expanded significantly and became more autonomous and more diverse. Having become increasingly self-supportive by means of advertising revenue and circulation, the Chinese media had gained an advantage in the advertising market. According to reports, advertising in all Chinese media formats increased 35 times between 1981 and 1992. Print advertising revenues jumped ten times between 1990 and 1995, from RMB 1.5 billion to RMB 15 billion. Television revenues also increased dramatically, totaling US\$2 million in 1995, rising above US\$6 billion in 2005 (CIA, 2009). By 2007, there were over 10,000 newspapers, magazines and TV news media in China. The on-line newspaper, Mondo Code LLC, lists eleven media which have been identified as being "popular media" in China.² These include one news agency (CNS), one TV channel (CCTV-1), one radio station (RTHK Radio Hong Kong,) one web site (Asia Times Online Hong Kong,) and seven newspapers. Nine of the eleven media provide an English version, and three are English only media, and another three are Chinese only. Four of these media are located in Beijing and Hong Kong, two in Guangzhou and one in Shanghai (Table 2-1).

² Based in Boulder, Colorado USA, Mondo Code LLC is an online production company providing information about, and access to, news media—newspapers, magazines, radio and television stations/networks.

Table 2-1: Popular Media in China

| Media | Medium | Languages | Media | Medium | Languages |
|---------------------------------|---------------------|------------------|---------------------------------|--------------------------|---------------------|
| Beijing Evening News | Newspaper (News) | Chinese | China News Service (CNS) | Agency (News) | English Chinese |
| China Daily | Newspaper | English zh | Asia Times | Web Site (News) | English Chinese |
| GuangZhou Daily | Newspaper (News) | Chinese | CCTV-1 | TV (Entertainment) | English, Chinese |
| GuangZhou Morning Post | Newspaper (News) | English | RTHK Radio 4 (music) | Radio (Entertainment) | English, Chinese |
| South China Morning Post | Newspaper (News) | English | Hong Kong Standard | Newspaper (Business) | English |
| Xinmin Evening News | Newspaper (News) | Chinese | | | |

Source: Mondo Times (2008)

According to official Chinese statistics, in 1983, the media shared 50.5 % of national advertising revenue, while advertising agencies took only 20.8%. The media were exceptionally gifted between 1983 and 1995, but in 2002, the share of advertising agencies rose to 43.8%, and the share of the media comparatively declined to 47.6%.³ This trend of relative increases and decreases reflects the status of the weakening advantage of the media in the advertising market. The distribution of part-time advertising units fell by 70% during the same period, and this demonstrated the inevitable professionalism of the advertising market in China in the early 2000s, proving that Chinese advertising companies had been equal to the media for two decades since the early 1980s. (Table 2-2)

³ The National Bureau of Statistics is an institution under the direct jurisdiction of the State Council. The major duty of the NBS is to undertake organizational leadership and coordination of national statistical work to ensure that statistical data is true, accurate, responsible and timely.

Table 2-2: Distribution of Advertising Turnover: 1983-2005 (Unit:%)

| Year | Advertising Companies | Media | Other (Part Time Units) | Total |
|-------------|------------------------------|--------------|--------------------------------|--------------|
| 1983 | 20.8 | 50.5 | 28.7 | 100 |
| 1990 | 19.9 | 56.5 | 23.6 | 100 |
| 1991 | 19.1 | 62.7 | 18.2 | 100 |
| 1992 | 19.7 | 59.6 | 20.7 | 100 |
| 1993 | 27.2 | 54.4 | 18.4 | 100 |
| 1994 | 35.5 | 52.1 | 12.7 | 100 |
| 1995 | 39.2 | 51.6 | 9.2 | 100 |
| 1996 | 42.8 | 49.9 | 7.3 | 100 |
| 1997 | 42.0 | 49.8 | 8.2 | 100 |
| 1998 | 42.8 | 48.4 | 8.8 | 100 |
| 1999 | 44.7 | 46.6 | 8.7 | 100 |
| 2000 | 44.6 | 48 | 7.4 | 100 |
| 2001 | 46.7 | 46.2 | 7.1 | 100 |
| 2002 | 43.8 | 54.3 | 1.9 | 100 |
| 2003 | 41.2 | 51.1 | 7.7 | 100 |
| 2004 | 44.7 | 45.5 | 9.8 | 100 |
| 2005 | 43.5 | 47.6 | 8.9 | 100 |

Source: Modern Advertising (2006)

2.2 World's 3rd Largest Advertising Market and Ranking

China's tremendous economic boom and its rise in consumption have sustained it for decades, and the country is currently regarded as the dominator of the Asia-Pacific region's advertising market. Nevertheless, as a key driver of the Asia-Pacific region's economic growth, accompanied by its significant growth in the advertising market, China has become one of the world's leading advertising markets.⁴ In terms of expenditure on major media in own countries, China took the lead, accounting for more than half, i.e. 56% of the total spending of the Asia-Pacific region in the year

⁴ According to a survey by Zenith Optimedia, China's advertising market will reach US\$25 billion in 2011, after the United States, Japan, Great Britain, and Germany.

2005. China was followed by Australia and South Korea, both with an 8% share, Hong Kong took third place with a 7% share, India and Indonesia followed with 4%, the Philippines and Thailand had a 3% share, Taiwan, Malaysia and New Zealand shared 2%, and Singapore only had 1% (Figure 2-1).

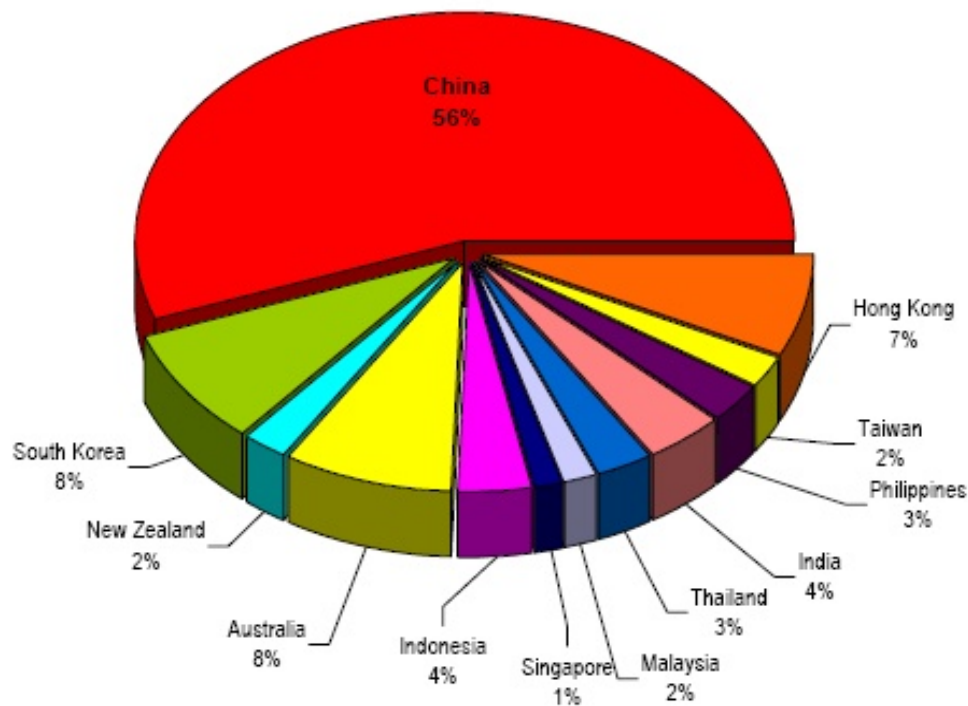


Figure 2-1: Share of Major Media Spending in the Asia-Pacific Region

Source: Nielsen Media Research (2008)

Two years later, a report focusing on “Asia-Pacific region advertising broadcast monitoring services,” released by Nielsen Media Research in 2007, indicated that, within the Asia-Pacific region’s 12 major markets, advertisers were sustaining unprecedented investment in major media, amounting to US\$885 billion, and that China had attracted 62% of the advertising budget to its major media from the Asia-Pacific region. India performed the highest growth rate of 31% in the same year, dramatically recovering from the previous year, in which it had only increased by 0.78%. In Taiwan and Singapore, the two nations were facing a long-term recession

which caused a downturn of advertising in the major media, with both reporting a -1% growth rate, while Taiwan's share of the Asia-Pacific region's total expenditure on major media had descended to less than 1% as early as 2006 (Table 2-3). In terms of the global advertising market, China's total advertising spend, with an annual 15% growth rate, reached US\$54 billion in 2007, which was only 10% (US\$ 6 billion) less than Japan (Table 2-4). China was expected to rank the 2nd largest advertising market in the world in 2009 (Times, 2005).

Table 2-3: Advertising spend of TV, Newspapers and Magazines in the 12 Asia Pacific Market: 2006-2007

| Country | US\$ (Million) | | 2007 | |
|--------------------|----------------|---------------|------------|-----------------|
| | 2006 | 2007 | Share (%) | Growth Rate (%) |
| China | 47,764 | 54,781 | 61.86 | 15 |
| Australia | 5,725 | 6,093 | 6.88 | 6 |
| South Korea | 5,635 | 5,814 | 6.56 | 3 |
| Hong Kong | 5,201 | 5,526 | 6.24 | 6 |
| India | 3,287 | 4,317 | 4.87 | 31 |
| Indonesia | 2,912 | 3,406 | 3.84 | 17 |
| Philippines | 1,948 | 2,161 | 2.44 | 11 |
| Thailand | 1,879 | 1,889 | 2.13 | 0 |
| New Zealand | 1,461 | 1,494 | 1.69 | 2 |
| Malaysia | 1,161 | 1,333 | 1.50 | 15 |
| Singapore | 979 | 970 | 1.09 | -1 |
| Taiwan | 772 | 764 | 0.86 | -1 |
| Total | 78,730 | 88,551 | 100 | 12 |

Source: Nielsen Media Research (2008)

The “fastest-growing” forecast for the development of major media in the Asia Pacific region is expected to remain from 2007 to 2011, and investment of major media in Asia Pacific is forecast to grow by 9.6% annually, which is faster than any other region. This is expected to increase from US\$297 billion in 2006 to US\$ 470 billion

in 2011. China will continue to record double-digit annual growth with an average 16.8%, next to India's 18.5% compound annual growth rate (PRNewswire, 2007).

Table 2-4: Globe's Top 4 Total Advertising Expenditure across all Media: 2005-2007

| Country | US\$ Millions | | | 2007 Growth Rate (%) |
|-----------------------|---------------|---------|---------|----------------------------|
| | 2005 | 2006 | 2007 | |
| United States | 130,031 | 134,467 | 135,266 | 0.6 |
| Japan | 59,105 | 60,113 | 60,796 | 1.1 |
| China | 39,001 | 47,764 | 54,781 | 15.0 |
| United Kingdom | 22,211 | 21,082 | 21,212 | 0.6 |

Source: Nielsen Media Research (2008)

In spite of the global financial crisis which occurred in the second half of 2008 and triggered a negative global impact on financial and economic situations, there is still optimism in emerging countries including China. A survey by Nielsen shows that 53% of consumers from the world's 53 major markets consider that their country is trapped in a prolonged recession which will last for more than 12 months. Yet, 18% of consumers, concentrated in a handful of emerging markets like India, Vietnam, China, and Russia, expect their country to break out of recession within the next 12 months. On the contrary, consumers in Japan, Germany, Argentina, Mexico, Turkey, Italy, Taiwan, the USA, and Spain were the least optimistic about the prospects of a quick economic recovery (Nielsen Wire, 2008). This still promises a ranking up of China in

the global advertising market.⁵

2.3 Two Stages of Advertising Market Growth

When China reopened its advertising market, Shanghai city media instantly responded. In January 1979, Shanghai Television initiated the nation's first television commercial and the Shanghai "Liberation Daily" published the first commercial advertisement. Today, the prosperous development of China's advertising market has made it one of the world's largest, driven by China's continued economic growth. Between 1981 and 2004, the advertising market's annual turnover has exceeded 1,000 times, and its ratio of growth rate against GDP rose from 0.024% to 0.93% (China Daily, 2004). Although China's advertising market has rapidly developed into one of the world's greatest markets, it still has some way to go to reach a mature stage. In accordance with the "Rostovian Take-off Model,"⁶ the development of China's Advertising Industry has traveled through the Traditional Society to the "Preconditions to Take-off" and "Take-off" stages, but is still a few steps away from the stage of "Drive to Maturity".

The Center for Studies of Media Development at Wuhan University considers that the "Initial stage" of the development of China's advertising market was accomplished in 1995. The ratio of advertising turnover against GDP surpassed 0.5% in 1996 and drove a new stage of development, i.e. the "Take-off" stage, which has lasted until the present year, and has almost evolved (Chang, 2006). In 2006, China's ratio against GDP was driven to 0.92%, only 0.02% away from the "Maturity stage", but it

⁵ Overall global advertising spend is expected to decline by at least 4-6% in 2009. On the contrary, according to Carat Media, the forecast of the Chinese ad market will grow by at least 6.9% in 2009.

⁶ The Rostovian take-off model (also called "Rostow's Stages of Growth") is one of the major historical models of economic growth. It was developed by W. W. Rostow. The model postulates that economic modernization occurs in five basic stages, of varying lengths. 1. Traditional society. 2. Preconditions for take-off. 3. Take-off. 4. Drive to maturity. 5. Age of High mass consumption.

eventually failed because of the ratio declines in the ensuing years (Table 2-5).

Table 2-5: Index of Chinese Advertising Industry: 1981-2006

| Year | Business Units | Employees | Turnover (RMB Million) | Annual Growth Rate (%) | Ad Industry's Turnover V.S. GDP (%) |
|-------------|-----------------------|------------------|-------------------------------|-------------------------------|--|
| 1981* | 1,160 | 16,160 | 118 | 686.70 | 0.02 |
| 1982* | 1,623 | 18,000 | 150 | 27.10 | 0.03 |
| 1983* | 2,340 | 34,853 | 234 | 56.10 | 0.04 |
| 1984* | 4,077 | 47,259 | 365 | 56.10 | 0.05 |
| 1985* | 6,052 | 63,819 | 605 | 65.70 | 0.07 |
| 1986* | 6,944 | 81,130 | 844 | 39.60 | 0.08 |
| 1987* | 8,225 | 92,279 | 1,112 | 31.60 | 0.09 |
| 1988* | 10,677 | 112,139 | 1,492 | 34.30 | 0.10 |
| 1989* | 11,142 | 128,203 | 1,999 | 33.90 | 0.12 |
| 1990* | 11,123 | 131,970 | 2,501 | 25.20 | 0.14 |
| 1991* | 11,769 | 134,506 | 3,508 | 40.30 | 0.16 |
| 1992* | 16,683 | 185,428 | 6,784 | 93.40 | 0.26 |
| 1993* | 31,770 | 311,967 | 13,408 | 97.60 | 0.39 |
| 1994* | 43,064 | 410,094 | 20,026 | 49.40 | 0.43 |
| 1995* | 48,082 | 477,371 | 27,326 | 36.50 | 0.48 |
| 1996** | 52,871 | 512,087 | 36,663 | 34.20 | 0.55 |
| 1997** | 57,024 | 545,788 | 46,196 | 26.00 | 0.63 |
| 1998** | 61,730 | 578,876 | 53,783 | 16.40 | 0.70 |
| 1999** | 64,882 | 587,474 | 62,205 | 15.70 | 0.76 |
| 2000** | 70,747 | 641,116 | 71,266 | 14.60 | 0.80 |
| 2001** | 78,339 | 709,076 | 7,948 | 11.50 | 0.82 |
| 2002** | 89,552 | 756,414 | 90,314 | 13.60 | 0.86 |
| 2003** | 101,786 | 871,366 | 107,868 | 19.40 | 0.92 |
| 2004** | 113,508 | 913,832 | 126,460 | 17.20 | 0.79 |
| 2005** | 125,394 | 940,415 | 141,630 | 12.00 | 0.78 |
| 2006** | 143,129 | 1,040,099 | 157,300 | 11.06 | 0.75 |

Note: * represents take-off stage, ** represents take-off Stage

Source: Chang (2007)

2.4 Internationalization of the Advertising Business and Its Influences

Foreign advertisers have understandably been attracted by the huge business potential of China's fast-growing market, and advertising groups began to trigger their cross-border global expansion strategy as early as the 1960s. The top five advertisers measured by business turnover in the early 1990s were all domestic companies, but by 1996, foreign advertising firms occupied the market's top five positions, with only 2 domestic Chinese advertisers ranking among the top 10 (Pan, 2006). Since 1996, the top 6 largest multinational advertising groups all seized a place in China. Similarly, only two local advertising companies squeezed into the list of the national top 10 annual turnover in 2005.

2.4.1 Multinational Advertising Giants in China

In 1979, the French Publicis Group was the first foreign advertising group to open a branch in China. When the government issued tough limitations on certain types of foreign investment in the 1980s and early 1990s, there were virtually no new foreign entrants to China's advertising market. In accordance with China's timetable of accession to the World Trade Organization, foreign investment holding joint venture advertising companies was allowed to be established after December 10, 2003. On December 10, 2005, wholly owned foreign advertising companies would be allowed to become established in China. Prior to this period, big multinational advertising firms with large stores of capital anxiously strengthened and expanded their market positions through mergers and acquisitions with big local advertising companies. Initially, Shanghai Eastbest International signed a joint venture with the WPP Group of Britain and Hakuhodo of Japan at the end of 2002, and converted its Shanghai branch into the first Sino-foreign joint venture advertising company in China (Xinhua News, 2002). In mid 2006, the world's top multinational advertising group joint

ventured 38 advertising companies with a local Chinese corporation. About half of these companies were co-established by the British advertising giant, the WPP Group, and Chinese Advertising companies, followed by the world's largest advertising agencies, the Omnicom Group(宏盟集團), the IPG Group (USA) and Publicis Group(陽獅集團) (Muzy, 2006). The most famous of the 5 major groups in the global advertising market, namely Omnicom, WPP, IPG, Publicis, Dentsu, as well as Havas, have numerous subsidiaries which provide customers with advertising, marketing, public relations, Internet marketing, customer relationship management and advisory services. In 2003, the share of the global advertising market of these 6 business groups reached 66% in total, and the WPP is currently China's largest advertising group (Hong Kong Trade Development Council, 2005).

2.4.2 “Scattered and Weak” Domestic Companies

The Chinese domestic advertising market allows companies to enter the advertising business at a low threshold, which has caused domestic advertising companies to become “scattered and weak,” making it difficult for them to confront highly capitalized foreign advertising companies, and severely limiting the innovation of domestic advertising services. Additionally, in 2006, local advertising companies had an annual turnover of RMB 140 billion, whereas foreign advertising companies reached an average of RMB 26.64 billion. The average productivity of each local advertising employee is RMB 145,000 per year, and the gap between employees of foreign and domestic advertising companies has a 5 times efficiency.

A study by Wuhan University concludes that these local advertising companies are in deep crisis, and that “a high degree of dispersion and a high degree of being scattered and weak,” accurately sums up the critical situation of local advertising companies in

China. Nevertheless, in 2006, the number of Chinese advertising companies sharply increased from the previous year, with a growth rate of 7.3%. At the same time, the number of employees of domestic advertising companies increased by 10.2%. In contrast, the advertising revenue dropped by 6.3 % compared with the year 2005. The domestic advertising industry is described as being “the more scoped, the more scattered,” which makes it more difficult for it to gain advantage from the advertising market. (Tables 2-6 and 2-7)

Table 2-6: Numbers & Revenue of Local and Foreign Advertising Companies: 2006

| Category | Number of Companies | Number of Employees (Average) | Revenue (Billion Yuen) |
|-------------------------------|---------------------|-------------------------------|------------------------|
| Local Advertising Companies | 125,703 | 898,675 (7.15) | 130 |
| Foreign Advertising Companies | 497 | 15,936 (32.06) | 13.2 |

Source: Chang (2007)

Although local advertising companies took the lead in terms of quantities and total revenue in the market, the statistics in Table 2-7 indicate that foreign advertising companies are, on average, 5.73 times more capable of attracting revenue than local companies. Nevertheless, there is a surplus capacity of, on average, 25.86 times of foreign companies' employees than domestic companies' employees.

2.5 Well-off Families are accelerating the Advertising Market

On account of the explosive increase in wealth, consumption habits are undergoing a

rapid change in China. Studies show that China is expected to process more than 400 million well-off families by 2015, following only the United States, Japan and the United Kingdom. Prior to this date, the number of families of urban households with an annual income of more than RMB 250,000, which were defined as being “well-off families”, reached 1.6 million in China by 2008. Whereas most Chinese consumers were buying luxury goods in foreign countries a few years ago, 60% of luxury goods are now purchased within China (McKinsey, 2009).

Table 2-7: Average Revenue Comparison between Local and Foreign Advertising Companies: 2006

| Category | Average Revenue Per-Enterprise (RMB Million) | Average Revenue Per-Employee (RMB Thousand) |
|--|---|--|
| Local Advertising Companies (Ratio) | 1.03 (1) | 145 (1) |
| Foreign Advertising Companies (Ratio) | 26.64 (25.86) | 831 (5.73) |

Source: Chang (2007)

In the scope of advertising development, China entered a slow growing period in terms of advertising spending in 2005, except for the acceleration of advertising expenditure on luxury products by China’s middle class, especially high-end women living in urban areas, influenced, to some degree, by western culture and who tend to want to pursue a western lifestyle. This facilitated the burgeoning of credit card advertising spend, which grew by 80% to RMB 900 million, and foreign alcoholic beverages, which surged by 156% to reach RMB 1.1 billion in 2005 (People’s Daily, 2006). Consumer spending on cosmetics and perfumes in China simultaneously grew

about 50 percent between 1998 and 2003 (Table 2-8), in line with expenditure on their advertising.

Table 2-8: Spending on Cosmetics and Perfumes in China:1998-2003

| | 1998 | 2003 | 1998-2003 Growth Rate (%) |
|--|-------|-------|------------------------------|
| Cosmetics and Toiletries, Sales Value (US\$Million) | 4,020 | 6,062 | 50.8 |
| Perfumes and Fragrances, Sales Value (US\$Million) | 86 | 130 | 51.2 |

Source: Deloitte Research Study (2009)

In 2008, cosmetics and toilet supplies maintained a steady growth and their share of the advertising industry ranked first place by 16 percent. Cosmetics especially became the high spot of the advertising market. Among overall advertising investment in China, Oil of Ulan took the first rank of advertising expenditure in the list of Top10 advertisers, while L'Oreal had the highest increase of 89%, which formed an era of “she” in China and represents the fastest growth of luxury consumption. A survey showed that high-end women in eight of China’s first tier cities, which included Beijing, Shanghai, Guangzhou, and Shenzhen, reached 1.67 million with a trend of leaping forward.⁷ The potential of the consumption of these high-end women is

⁷ The definition of high-end women: defined by income, defined in the standard of a 20-45 year-old female personal income or household income (if one of them can meet it). Beijing, Shanghai, Guangzhou, Shenzhen and Hangzhou cities, such as a class: Personal monthly income above RMB 5,000 or monthly family income above 15,000 RMB. Chongqing (for Chengdu in 2007), Wuhan and Shenyang, such as second-class city: Personal monthly income above RMB 3,000 or family monthly income of more than RMB 10,000.

growing by an average monthly income of RMB 7,000, with an average annual family income as high as RMB 240,000. In their daily lives, the high-end women surveyed were accustomed to watching television (90.8%), reading newspapers (78.5%), surfing the Internet (69.2%), listening to the radio (24%), and reading magazines (28%). Compared with 2007, high-end women who live in urban areas are rapidly increasing their behavior of on-line shopping on the Internet, and 72% of them bought goods by their own capacity and determination of consumption, thus supporting the exceptional growth of luxury products in a declining market in China (CTLS, 2008).

2.6 Summary

China has been identified as the dominator and key driver of economic growth of the Asia-Pacific region. Furthermore, it has become one of the world's leading advertising markets, the Globe's 3rd largest advertising market next to the USA and Japan, and with the promise of ranking up in the Globe's market, China is expected to surpass Japan within years by two digits of growth rate, disregarding the Financial Crisis of 2008. Ever since the development of China's advertising industry, advertising media has benefited from most of the advantages of the market and has profited by two digits of growth rate annually. However, the rapid development of domestic and especially foreign, advertising businesses eventually changed the industry, concealing its glory from the media. At the same time, the more the requirements for advertising services, the better-class level demanded by clients, which is a skill owned by foreign advertising companies which provide the better professional services. These companies have taken over 20% distribution of the market and weakened domestic players, especially part time domestic advertising companies, turning them into "scattered and weak" firms.

***Chapter 3* Characteristics of China's Advertising Market**

Between 1949 and 1978, the development of advertising in PRC walked a rugged road, since the implementation of the Planning Economy had shrunk the commodity economy, and the role of the market had been totally neglected. China's economic system had contributed to the loss of the conditions and the soul of the development of the advertising market. Since the establishment of market-oriented economic development and the opening up policy of 1978, China proceeded to integrate the tenets of Marxism by “touching stones across the river” to build up socialism with Chinese characteristics, trying to find new ways of building socialism within the nation.⁸ In 2007, the 17th Party Congress of CCP eventually and ideologically defined the “socialist road with Chinese characteristics”. Under the leadership of the Communist Party of China, based on fundamental national conditions, this involved taking economic construction as the center, and the four cardinal principles, sticking to reform and opening up, the liberation and development of social productive forces, consolidating and improving the socialist system, and building a socialist market economy, socialist democracy and socialist advanced culture, a socialist harmonious society and a prosperous, democratic, civilized and harmonious modern socialist country (Xinhua Net, 2007).

3.1 Multiregional Market by Different Regions

Although the advertising industry is still undergoing rapid development, an imbalanced economic development is causing a problem in the market. For Example, the turnover of advertising companies in Beijing, Shanghai and Guangdong

⁸ “Cross the River by Touching the Stones” is a famous Deng quotation and the principle of political and economical reform in China.

comprised half of the country's total advertising business. Further data shows that the development of the convention and exhibition industry in China is also highly imbalanced. The stage of development reached in each region varies widely, and can be distinctly classified into three large groups, the first of which includes the leaders of the advertising industry, in Beijing, Shanghai and Guangdong, which account for a respective 40%, 30% and about 16% of the national market of conventions and exhibitions (Central Policy Unit, 2007).

In the scope of economic development, China has been unequally divided into different regions and economic zones. Thus, marketing in such a huge country as China has always been somewhat of a myth for foreign investors. According to an investigation into the marketing strategy of twenty-two foreign enterprises in China, 44% of them considered China to be "one market", 6% considered it as being "two markets", 11% thought of it as having "three markets", while 39% considered China to have "more than 4 markets". These winners and losers illustrate that foreign companies cannot take full advantage of the enormous Chinese market by a single strategy (Hsiao, 2007). Marketing, which includes the advertising marketing in China, should be considered as multiregional marketing instead of a simple marketing, since the concept involves the success or failure of investors to establish an advertising business in China.

Furthermore, there is a similar development within different zones of the western region in the field of cultural industry. The Chinese Academy of Social Sciences issued China's cultural industry development report in 2007, in which it points out that three areas have been designated for major cultural industries in China, namely the Yangtze River Delta, the Pearl River Delta, and the Bohai Economic Zone. These

areas share 66.08%, more than RMB 100 billion, of the cultural assets of Guangdong, Beijing, Shanghai, Zhejiang, Jiangsu and Shandong, 6 eastern provinces and cities, while 12 western provinces and autonomous regions share only 11%. 10 eastern provinces and cities share 4/5ths of the total national cultural industries' annual operating income, while the western provinces and cities share less than 10%, which corresponds with the situation of economic development and the development of the media industry. In fact, a great many internal differences exist in the Chinese consumer market, including differences between urban and rural, coastal and inland, inter-city, racial, economic, cultural, language, local government implementation of different policies, inter-generational differences, differences between rich and poor and so on, all of which result in different consumption patterns.

China is one of the biggest emerging markets, and its enormous population and rapid increase in consumer spending have attracted many multinational corporations. At the same time, the misconception of China as a homogeneous market frequently leads to difficulties in assessing market demands and enacting effective strategies. Consumers from various regions are significantly different from one another in terms of purchasing power, attitudes, lifestyles, media use, and consumption patterns. According to the first National Economic Census in 2004, China was divided into three major regions, as follows:

1. Eastern Region, which includes Beijing, Tianjin, Hebei, Liaoning, Shanghai, Jiangsu, Zhejiang, Fujian, Shandong, Guangdong, Hainan
2. Central Region, which includes Shanxi, Jilin, Heilongjiang, Anhui, Jiangxi, Henan, Hubei, Hunan
3. Western Region, which includes Inner Mongolia, Guangxi, Chongqing, Sichuan, Guizhou, Yunnan, Tibet, Shaanxi, Gansu, Qinghai, Ningxia and Xinjiang.

In 2005, the State Council Development Research Center proposed a program entitled “four regions eight economic zones”, which further divided the country into eastern, central, western, and north-east regions, with eight economic zones within those regions. Among those regions, more than half of the secondary and tertiary industries were located in the eastern region, accounting for 56.3%, while the central region accounted for 23.1%, and the western region accounted for 20.6%. One year earlier, industrial enterprises were the main business income, and the eastern, central and western regions accounted for 72.5%, 16.8% and 10.7%. This data shows that the three regional economies show large unbalanced development, with the turnover being concentrated in the eastern region (Table 3-1).

Table 3-1: Development of Three Regions in China:2004

| | Eastern Region | Central Region | Western Region |
|--|-----------------------|-----------------------|-----------------------|
| Secondary & Tertiary Industries (%) | 56.3 | 23.1 | 20.6 |
| Business Income RMB Trillion | 72.5 | 16.8 | 10.7 |
| R & D Budget | 76.4 | 14.2 | 9.4 |

Source: Huang and Ma (2006)

In 2003, Beijing, Guangdong, Shanghai, Jiangsu and Zhejiang, i.e. all of the cities and province located in the eastern region, comprised the list of the top 5 most developed advertising regions. Guangdong had the most advertising companies and employees, consisting of more than ten thousand advertising units with 93 thousand employees. Beijing obtained the number one turnover (RMB 205 billion), followed by

Guangdong and Shanghai (RMB 165 billion). Jiangsu and Zhejiang revenues were 50% less than Guangdong and Shanghai by 71 and RMB 68 billion (Table 3-2).

Table 3-2: Top 5 Advertising Developed Cities and Provinces in China:2003

| | Beijing | Guangdong | Shanghai | Jiangsu | Zhejiang |
|-----------------------------------|-----------|-----------|-----------|---------|----------|
| Units | 9,736 | 10,898 | 4,151 | 7,473 | 5,670 |
| Employees | 86,886 | 92,956 | 65,780 | 65,780 | 46,620 |
| Turnover (RMB 10,000) | 2,053,988 | 1,658,947 | 1,606,269 | 715,110 | 680,086 |

Source: Fang (2004)

As recently as 2008, Beijing, Shanghai and Guangdong were still ranked the top three in terms of turnover of regional advertising. Beijing had the largest growth rate of 14.16%, Shanghai's turnover exceeded 30 billion and surpassed Guangdong, although Shanghai's growth rate slowed down from 12.6% in 2006 to 4.82% in 2007. In the Guangdong region, the impact of the financial crisis resulted in the first time negative growth of the previous four years with a growth rate of -2.38%. In the other top regions, Jiangsu achieved the highest growth rate in the eastern region with a rapid growth of 17.61 %. Noticeably, Tianjin, the top sixth region, with a respective growth rate of 17.1%, 19.3% and 13.85% in the previous three years, shortened its gap with Zhejiang with RMB 0.3 billion, and would probably replace the number 5 region, Zhejiang, within a year (China Investment Net, 2009).

3.2 Straightened and Controlled by the Legal System

On 15 November 1985, the Department of State implemented the “Notice of strengthening and management of advertising” which provided the official legislative

straightening of the advertising market. Prior to 1985, Chinese officials had implemented two series of straightening the advertising market under the three principals of “limiting, guiding and managing” during May-November 1982 and October-November 1984, in order to clean up false advertising, and incorporate the advertising industry into the Socialist legal system. After the implementation of the “Notice of strengthening and management of advertising,” two more series of straightening were implemented in 1986 and between 1989 and 1990, which resolved the over-heated development of the advertising market. The latter two series of straightening revoked the licenses of hundreds of advertising business units, which did not comply with the regulations or had been involved in serious irregularities, as well as investigating and charging more than 3,300 cases of false advertising (Fang, 2004).

China’s first advertising laws and regulations were issued by the State Council on October 26, 1987, and the “Regulation on the Management of Advertisements” took effect in December that year, which created a favorable external environment, improved the obsolete advertising system, and obviated chaos and further obstacles to advertising development.⁹ In March 1993, a document issued by the State Council listed advertising as one of the tertiary industries, and four months later, two ministries issued guidelines designed to boost the advertising sector. In 1995, a law governing advertising took effect. The introduction of such laws and regulations gave a big boost to the advertising sector, which had gained increasing attention and recognition from the government and the public with the establishment of the socialist market economy. In 1994, China’s advertising sales hit RMB 10 billion, and

⁹ The “Regulation on the Management of Advertisements” was adopted on deliberation at the executive meeting of the State Administration for Industry and Commerce in order to promote healthy industry standards and consider consumers’ interests.

companies started to bid for time slots and prime time at CCTV. The time slot spending reached RMB 30.79 million in 1995, the top bidder spent RMB 321 million on advertising in 1996, and the bidding war topped the bidding in 2005 with RMB 385 million. However, most of the domestic brands which paid top prices at CCTV eventually collapsed, which led to a decision by the State Administration of Taxation that any company should not spend more than 2% of its annual revenue on advertising due to lobbying by the China Advertising Association that the percentage was increased in 2001 up to 8% for some industries.¹⁰

3.3 Media Dominates the Market

Since the initial development of the advertising market in the 1980s, most advertising companies started their businesses by acting as agents of printing media with inefficient and weak infrastructure. At the same time, both the advertising media and advertising agencies, including newspapers, TV, radio and magazines monopolized the advertising market in China. Newspapers and TV particularly shared more than half of the revenue in the market (Table 3-3), which characterized “weak companies, strong media” in China.

In 2004, after rapid development for two decades, China’s market ranked second in the world after the USA with 651 TV stations, which were heavily involved with the government before the 1980s, serving only CCP. In the early stage, during breaks in televised sporting events, Chinese audiences could typically only watch a blank screen or a shot of an ashtray or a cigarette, which signified that the audience should

¹⁰ The China Advertising Association (CAA) was founded on December 27, 1983. It is a national institution directly under the State Administration for Industry and Commerce (SAIC) which is China’s advertising industry’s trade organization, registered by the Ministry of Civil Affairs of the non-profit industry organizations.

take a break. Shanghai Television initiated the broadcast of the Nation's first TV commercial in 1979, which faced unprecedented resistance and controversy. Shanghai Television had to apply for approval from the government to broadcast the commercial, and even with government approval, the 90-second commercial for Shenguiyangrong ginseng liquor was almost cut half a minute before it was aired. In 1980, CCTV, the nation's largest TV station, began its commercial broadcasting with advertisements for Coca-Cola and jeans. Wang Nansheng, former chief of advertising for CCTV, delivered an animadversion of Coke, not targeted at average people, and jeans were regarded as being part of a bourgeois lifestyle (Li, 2008). Ideologically, many people in that period believed that commercials had an unsavory link with capitalism and there was no need to place advertisements.

Table 3-3: Shares of Advertising Companies & Media during the Initial Period

| Year | Advertise Companies (%) | Share of Media | | | |
|------|-------------------------|----------------|--------|------------|-----------|
| | | Newspaper (%) | TV (%) | Others (%) | Total (%) |
| 1983 | - | 31.31 | 6.94 | 11.34 | 49.59 |
| 1984 | 20.81 | 32.48 | 9.30 | 9.91 | 51.69 |
| 1985 | 30.10 | 36.37 | 11.36 | 9.05 | 56.78 |
| 1986 | 24.96 | 30.31 | 13.63 | 8.44 | 52.38 |
| 1987 | 25.52 | 31.97 | 15.22 | 8.33 | 55.52 |
| 1988 | 25.35 | 33.60 | 17.13 | 8.99 | 59.72 |
| 1989 | 20.35 | 30.49 | 17.10 | 10.26 | 57.85 |
| 1990 | 19.15 | 27.07 | 22.44 | 6.92 | 56.43 |
| 1991 | 19.74 | - | 28.15 | - | 62.80 |
| 1992 | 27.47 | - | 30.28 | - | 59.60 |

Source: Fang (2004)

On account of the habit of watching dynamic and colorful media and the number of illiterate Chinese increasing to 116 million (Washington Post, 2007), the advertisers retained their increased investment in TV commercials, instead of receiving a passive

acceptance of advertising, such as television, radio ads, etc. in China declined in 2008 (CTR, 2009). Another survey shows that Chinese people watch TV for 2.23 hours per day on average on normal weekdays, and 3.15 hours at weekends. Yet another result from the survey shows that 44.3% read newspapers every day and 29.7% read them at least 3 times a week (Search in a Research Inquiry, 2009). China's advertising industry was forecast to rise 19% and exceed a turnover of RMB 200 billion in 2008, of which TV stations are expected to occupy a 36.4% share, which substantially leads newspapers (17.2 %), new media (15.1 %), outdoor advertising (14.0 %), magazines (8.4 %), radio (2.5 %) and direct mail (1.3 %).

**Table 3-4: Distribution of Advertising Expenditure in Different Media:
2007-2008**

| Year | TV | News Paper | Outdoor Media | New Media | Magazine | Radio | Direct Mail |
|------|-------|------------|---------------|-----------|----------|-------|-------------|
| 2007 | 36.2% | 19.1% | 13.5% | 12.1% | 8.8% | 3.1% | 1.6% |
| 2008 | 36.4% | 17.2% | 14.0% | 15.1% | 8.4% | 2.5% | 1.3% |

Source: Huang, Ding, and Shiao (2009)

3.4 Limited Grouping of Newspaper

Since the 1980s, in accordance with the principles of entrepreneurial business, a series of major changes have taken place in the field of the media in China, particularly in terms of maintaining their survival and the pursuit of economic efficiency. In January 1996, the Guangzhou Daily Group was set up with the formal approval of the State Press and Publication Administration as the first newspaper group in China (Administration of Press and Publication of Guangdong Province, 2006).¹¹ Although

¹¹ The General Administration of Press and Publication (GAPP) is the government's administrative agency responsible for drafting and enforcing China's prior restraint regulations.

the newspapers in China are continuously merging into groups, the grouping of Chinese newspapers is still limited by the scope of the region and inter-industry. Firstly, China's current grouping of newspapers has focused on media of the same nature due to policy restrictions, since the fragmentation of China's administrative system is inseparable. For example, newspaper operators cannot be involved in radio or television. Secondly, according to China's current public information policies, newspapers can operate in other industries, such as retail, tourism and real estate, but those industries are not allowed to operate in the media. Thirdly, the grouping of Chinese newspapers is still limited to the scope of the region, and any inter-territorial operation can be considered to be an invasion on other newspaper marketing in another place, which may face strict local protectionism (Zhang, 2007). Even though grouping has various restrictions, newspaper groups are consistently developing, and compared with 2005 and 2007, China newspaper sales have steadily increased from 96.6 to 98.7 million copies daily (World Association of Newspapers, 2006). Official statistics of China also show that, in 2000, China had 2,160 newspapers with an annual circulation of 26 billion copies.

More than a decade before, in 1978, the "People's Daily" and several other media organizations in Beijing jointly made a request to the Ministry of Finance for a trial of operating policies, "the management of enterprises and institutions". On January 28, 1979, Shanghai's "Liberation Daily" published the first commercial advertisement. In 1985, Henan's "Luoyang Daily" was the first to embark on the path of the self-management issue, which initiated a new wave of newspaper reform in China. In the late 1980s, the rapid growth of the advertising market led to newspapers being eager to expand their number of pages to meet the growing demand from the advertising market. On Jan 1, 1987, the "Guangzhou Daily" was the first to be

extended to 8 pages from the original 4-page version. During the 1990s, real estate, commodities and trading advertising grew constantly, which provided the elements for developing new newspapers, and the local official newspapers of the CCP began to publish the Evening News and the Metropolis News. Eventually, the innovation of operating systems and the distribution of news editing systems contributed to the formation of China's newspaper market (Chen, 2006).

As a result of the prosperous expectation of subsidiaries of official newspapers, the State Press and Publication Administration formally approved the formation of the "Guangzhou Daily" newspaper group in 1996. In 1998, the Hong Kong Economic Times newspaper group, the Guangming Daily Newspaper Group, the Nanfang Daily Press Group, the newspaper Yangcheng Evening News Group, and the Wenhui Xinmin United Press Group were approved. At the same time, the restructuring of newspapers became the most important management of newspaper reform, and the administrative implementation of the newspaper industry continued. By 2006, with the exception of the Tibet Autonomous Region, every municipality and autonomous region in China had formed newspaper groups, which totaled 39 groups (Wu, 2006).

In 2005, the People's Republic of China was the country with the largest number of 23 newspapers in the top 100 list of 215 countries and regions around the world by average circulation. The Cankao Xiaoxi (参考消息) issued by CCP retains its influence on the Nation with a circulation of 3.18 million, which accords the Cankao Xiaoxi the position of number one in China, and 7th in the world after five Japanese newspapers (Yomiuri, Asahi, Mainichi, Nihon and Chunichi News) and one German

newspaper (Das Bild).¹² The People's Daily with its 5 foreign languages (English, Japanese, French, Spanish and Arabic) ranked second in China with a circulation of 2.8 million (Table 3-5).

Table 3-5: Major Newspaper Groups in China by Circulation:2008

| Rank | Newspaper Group | Release Location | Million Copies | Language (Online) |
|------|------------------------|-----------------------|----------------|---|
| 1 | Cankao Xiaoxi | Beijing | 3.183 | Chinese |
| 2 | People's Daily | Beijing | 2.808 | Chinese (English, Japanese, French, Spanish, Arabic) |
| 3 | Yangtse Evening Post | Nanjing | 1.810 | Chinese (Traditional Chinese) |
| 4 | Guangzhou Daily | Guangzhou | 1.680 | Chinese |
| 5 | Information Times | Guangzhou | 1.480 | Chinese |
| 6 | Nanfang City News | Guangzhou | 1.400 | Chinese |
| 7 | Yangcheng Evening News | Guangzhou | 1.170 | Chinese |
| 8 | Chutian Metro Daily | Wuhan (武漢) | 1.140 | Chinese |
| 9 | New Express | Guangzhou | 1.132 | Chinese |
| 10 | Qilu Evening News | Jinan | 1.050 | Chinese |
| 11 | Global Times | Beijing | 1.042 | Chinese |
| 12 | Xinmin Evening News | Shanghai | 0.998 | Chinese |
| 13 | Yanzhao Metro Daily | Shijiazhuang (石家莊) | 0.995 | Chinese |

¹² The Cankao Xiaoxi (Reference News), issued by the Xinhua News Agency, and the People's Daily "Global Times" are the only two newspapers which can publish foreign news in China.

| Rank | Newspaper Group | Release Location | Million Copies | Language (Online) |
|------|------------------------|------------------|----------------|-------------------|
| 14 | Qianjiang Evening News | Hangzhou (杭州) | 0.951 | Chinese |
| 15 | Metro Express | Shanghai | 0.950 | Chinese |
| 16 | Today Evening News | Tianjin (天津) | 0.910 | Chinese |
| 17 | Peninsula City News | Shenyang (瀋陽) | 0.900 | Chinese |
| 18 | Nanfang Daily | Guangzhou | 0.850 | Chinese |
| 19 | Wuhan Evening News | Wuhan (武漢) | 0.850 | Chinese |
| 20 | Dahe Daily | Zhengzhou (鄭州) | 0.830 | Chinese |
| 21 | Liaoshen Evening News | Shenyang (瀋陽) | 0.826 | Chinese |
| 22 | Beijing Evening News | Beijing | 0.800 | Chinese |
| 23 | Modern Express | Nanjing | 0.790 | Chinese |
| 24 | Jinling Evening News | Nanjing | 0.700 | Chinese |

Source: Wikipedia (2008)

3.5 Enormous Development of Private Advertising Enterprises

China took action to relieve the Three Principles of managing the advertising market in 1992, and a survey showed that China's advertising growth rate was, on average, 154.2 percent annually, which led the world from 1992 to 1994. In 1991, there were only two private advertising units in China, with 30 employees and a turnover of RMB 0.78 million. After only a decade, there were 3.38 thousand units, 338.9 thousand employees and 1.69 billion turnover. Compared with other professional advertising companies, private advertising companies gained half of the revenue in the advertising market, and the share of private, SOEs, collective and foreign invested

advertising companies has changed every three years since 1993. Private advertising companies increasingly shared the turnover of the market, which rose from 2.62% in 1993 to 42.86% in 2002. In 2004, the annual statistics showed that the revenue of private advertising companies had progressively occupied a 49.5% share of the market, followed by foreign invested enterprises with 20.94%, and SOE companies dropped further to 17.29% (Table 3-6).

Table 3-6: Comparison of Types of Advertising Companies:2004

| Type | Companies (Employees) | Revenue (RMB Million) | Share of Revenue (%) | Turnover Per Capita (RMB 1,000) |
|------------|--------------------------|-----------------------------|----------------------------|---------------------------------------|
| Private | 56,517 (449,936) | 28 | 49.57 | 61.2 |
| SOEs | 3,393 (41,348) | 9,606 | 17.29 | 232.3 |
| Collective | 2,836 (32,112) | 2,506 | 4.51 | 78.1 |
| Foreign | 306 (5,502) | 11,634 | 20.94 | 2114.5 |

Source: Wu (2005)

3.6 Summary

Although under a straightened control system, China's advertising industry may still sustain a long-term prosperous development. During the past three decades of developing, the traditional media, especially TV and newspapers shared more than fifty percent of the market revenue and dominated the advertising market for a long period of time, only gradually losing their domination of the market to advertising enterprises. In addition, the continuous innovation of communication which has enhanced the fast growth of online businesses and encouraged the future development

of China's advertising market has taken an unexpected turn, and the importance of new media will be further described in the next chapter.

Because of the unequal development in China, 43% of the total population of 1.3 billion is made up of urban residents living in major cities, and the media and advertising are synchronized to develop in a state of imbalance. Thus, localization of strategies with various characteristics is unavoidable for the further development of China's advertising market, which may create opportunities for the prosperous development of small advertising agencies. Large-scale professional advertising companies must also adapt to the different regional characteristics to provide more intimate services for local advertisers.



***Chapter 4* Status of China's Advertising Market**

China's advertising spending is projected to grow between 5 to 8 percent in 2009, since the decline of last year's 15 percent growth because of the economic downturn may possibly force companies to reduce their advertising budgets. Due to the government's efforts to spur domestic consumption, business and services sectors are forecasting a reasonable growth in 2009 (CTR Media Research, 2009).

As mentioned in chapter 3, China should be considered as being a multiregional market rather than a simple one, because of the result of an investigation into the market strategy of twenty-two foreign enterprises in China. This demonstrated that 44% of them consider China as "one market", while 6% thought it consisted of "two markets", 11% believed China to be "three markets" and 39% consider China to have "more than 4 markets". Winners and losers have shown that foreign companies cannot possibly take full advantage of the enormous Chinese market by a single strategy (Gardner, 1997).

In fact, there are a great many internal differences in the Chinese consumer market, which include differences between urban and rural, coastal and inland, inter-city, racial, economic, cultural, language, local government implementation of different policies, inter-generational differences, differences between rich and poor and so on, all of which result in different consumption patterns (China Strategy Net, 2007).

4.1 Advertising Expenditure on Major Media

In the early 2000s, the expenditure on major media in China was unequally developed,

and studies show that the traditional media, including TV and newspapers, were still dominating the advertising market in China. TV and newspapers' total revenue was more than 70 billion in 2006, taking a long lead ahead of Radio (5.72 billion) and magazines (2.41 billion). Although magazines hit a historical growth rate of 60% in 2003, two digits of negative growth rate followed in 2004. Newspapers encountered an undulating situation, which rose by 28.9% in 2003, and dropped to -5% in 2004. In the field of major media in China, only TV and radio avoided this undulating situation by constantly growing (Table 4-1).

Table 4-1: Advertising Expenditure of Major Media in China:2000-2006

| Year | Newspaper | | TV | | Radio | | Magazine | |
|------|-----------------------------------|-----------------|-----------------------------------|-----------------|-----------------------------------|-----------------|-----------------------------------|-----------------|
| | Advertising Revenue (RMB Billion) | Growth Rate (%) | Advertising Revenue (RMB Billion) | Growth Rate (%) | Advertising Revenue (RMB Billion) | Growth Rate (%) | Advertising Revenue (RMB Billion) | Growth Rate (%) |
| 2000 | 14.66 | 30.4 | 16.89 | 8.2 | 1.52 | 21.6 | 1.13 | 2.7 |
| 2001 | 15.74 | 7.5 | 17.94 | 6.2 | 1.83 | 20.4 | 1.19 | 5.3 |
| 2002 | 18.85 | 19.8 | 23.10 | 28.8 | 2.19 | 19.8 | 1.52 | 28.3 |
| 2003 | 24.30 | 28.9 | 25.50 | 10.4 | 2.56 | 16.8 | 2.44 | 60.3 |
| 2004 | 23.07 | -5.0 | 29.15 | 14.3 | 3.29 | 28.7 | 2.03 | -16.7 |
| 2005 | 25.60 | 11.0 | 35.53 | 21.9 | 3.89 | 18.0 | 2.48 | 22.1 |
| 2006 | 31.26 | 22.1 | 40.40 | 13.7 | 5.72 | 47.2 | 2.41 | -3.1 |

Source: Chang (2007)

In recent years, TV has developed even more rapidly, and according to another study on the expenditure on major media in China, the total expenditure on media advertising in China rose by 9% in 2007 and 15% in 2008, which consisted of TV

(76%), newspaper (13%), radio (4%), and magazines (2%). TV continued to take a great leap forward from other media. The growth of spending on radio is slowing down, and spending on outdoor media is constantly declining, while the growth rate of the printed media reached a two-digit increase (Itamar Medeiros, 2009).

4.1.1 CCTV Holds the Most Advantages in Market

In terms of individual TV media, CCTV takes the lead in the national television advertising market. It not only holds the largest market share, but there has been an increased demand for CCTV camera deployment across different sectors, such as banking, retailing, education and transportation worldwide, and due to this functional diversification, its market revenue was US\$6 Billion in 2008 (1888 Press Release, 2009).¹³ In 2007, CCTV was listed as the number 1 for advertising revenue of all media in China, followed by new media, Focus Media, SMG Shanghai and the Shenzhen Daily (Table 4-2).

Table 4-2: Top Advertising Media by Revenue:2006-2007

| | Traditional TV | New Media | Newspaper | Revenue in 2006 (RMB Billion) | Revenue in 2007 (RMB Billion) |
|----------|-----------------------|--------------------|-----------------------|--------------------------------------|--------------------------------------|
| 1 | CCTV | | | 9.20 | 8.50 |
| 2 | | Focus Media | | 1.60 | 4.00 |
| 3 | SMG | | | 3.35 | 3.63 |
| 4 | | | Shenzhen Daily | 2.89 | 1.91 |
| 5 | | Baidu | | - | 1.53 |

Source: Huang, Ding and Shiao (2009)

¹³ China Central Television (CCTV) is the national TV station of the PRC with a multi-media broadcasting platform and business operation, movies, newspapers and the internet, which is the major news source of Chinese people.

4.2 Advertising Expenditure of Enterprises

The advertising expenditure of enterprises in China is concentrated on the top companies, and the very top company, Procter & Gamble, increases its expenditure and leaps ahead of other companies in China.

According to the statistics of CTR, Procter & Gamble doubled its expenditure to US\$1,085 million in 2006, which set the company in the top position in the list of biggest advertisers in China between 2004 and 2007. The next company was Unilever with an expenditure of US\$446 million, which was far less than Procter & Gamble. Three companies, including Stone Group Holdings, the Lafang Group and the Arche Group exited from the list, and were replaced by the Harbin Pharma Group, Shanghai GBT, the Hayao Group and Coca-Cola. Half of the list of the top advertisers in China is made up of foreign companies, and even though the domestic Harbin pharmaceutical group took second place, the scale of its investment was two times less than the foreign company, Procter & Gamble (Table 4-3).

4.3 Foreign & Domestic Famous Brands in China

In 1987, the Trademark Office of China identified the first foreign well-known trademark, Pizza Hut, and two years later, the first Chinese well-known trademark, Tong Ren Tang (同仁堂), the trademark of a manufacturer of Chinese medicine, was identified long before the regulation for trademark law was implemented in 1993 (Li, 2005).¹⁴ Although Chinese enterprises are aware of the importance of brands, since the initial implementation, approximately 15% of domestic well-known trademarks

¹⁴ Tong Ren Tang (同仁堂) is a Chinese pharmaceutical company founded in 1669. It is now the largest producer of traditional Chinese medicine (TCM). The company is headquartered in Beijing, and is engaged in both manufacturing and retail sales, operating drug stores predominantly in Northeast China.

have been registered in foreign countries, with more than 100 cases involving cosmetics, beverages, household appliances, clothing, culture, etc. Chinese officials issued a warning to domestic enterprises in 2005 to remind them to take active measures to prevent this obstacle in future international trading (Xinhua Net, 2005).

Table 4-3: China's Major Advertisers by Expenditure:2004-2007

| Advertiser | 2004 US\$ Million (Rank) | 2005 US\$ Million (Rank) | 2006 US\$ Million (Rank) | 2007 US\$ Million (Rank) |
|-----------------------------|---|---|---|---|
| Procter & Gamble | 318 (1) | 891 (1) | 1,085.0 (1) | 1,097.0 (1) |
| Hayao Group | 318 (1) | 382 (2) | 138.0 (9) | 212.3 (5) |
| Unilever | 124 (3) | 213 (3) | 434.0 (2) | 446.6 (2) |
| Stone Group Holdings | 125 (2) | 154 (4) | - | - |
| Colgate-Palmolive | 62 (6) | 115 (5) | 119.0 (9) | 157.3 (9) |
| China Mobile | 89 (5) | 115 (6) | 191.5 (5) | 191.0 (8) |
| Yum Brands | 55 (7) | 76 (7) | 147.8 (6) | 203.3 (6) |
| L'Oreal | 53 (9) | 75 (8) | 132.5 (10) | 196.5 (7) |
| Lafang Group | 54 (8) | 70 (9) | - | - |
| Arche Group | 94 (4) | 67 (10) | - | - |
| Harbin Pharma Group | - | - | 391.8 (3) | 434.0 (3) |
| Shanghai GBT | - | - | 197.5 (4) | 227.3 (4) |
| Hayao Group | - | - | 138.0 (7) | 212.3 (5) |
| Coca-Cola | - | - | 98.3 (11) | 136.5 (10) |

Note: - no data in that year

Source: CTR and Advertising Age (2006)

After more and more sophisticated Chinese enterprises' brands began to participate in the advertising market, the value of different brands was estimated by different standards with different results. For example, in 2006, when Business Week initiated the first annual ranking of Chinese brands, with the emphasis on brand contribution to business performance, the brand of China Mobile took a great leap forward from other brands in China at that time. In addition, the top 20 brands listed by Business Week included 6 Financial, 4 Telecom, 3 Alcohol, 2 Technologies, Properties, 1 retail, transport and electronic domestic companies. The brand of China Mobile generated RMB 283 billion, the Bank of China took second place with 82 billion, and the China Construction Bank took the third with RMB 68 billion (Table 4-4).



Table 4-4: Best Domestic Brands in China:2006

| Rank | Company | Industrial Sector | Band's Values (RMB Million) |
|------|-------------------------|-------------------|-----------------------------|
| 1 | China Mobile | Telecom | 283,000 |
| 2 | Bank of China | Financial | 82,000 |
| 3 | China Construction Bank | Financial | 68,000 |
| 4 | China Telecom | Telecom | 32,000 |
| 5 | China Life | Financial | 32,000 |
| 6 | Ping An | Financial | 13,000 |
| 7 | China Merchants Bank | Financial | 13,000 |
| 8 | Moutai | Alcohol | 10,500 |
| 9 | Bank of Communication | Financial | 7,400 |
| 10 | Lenovo | Technology | 6,100 |
| 11 | Netease | Technology | 4,500 |
| 12 | Gome | Retail | 3,800 |
| 13 | ZTE | Telecom | 3,400 |
| 14 | Wuliangyi | Alcohol | 2,700 |
| 15 | Air China | Transport | 2,600 |
| 16 | ChangYu | Alcohol | 2,300 |
| 17 | Vanke | Property | 1,600 |
| 18 | Gree | Electronics | 1,500 |
| 19 | CNC | Telecom | 1,200 |
| 20 | China Overseas Property | Property | 1,000 |

Source: Business Week (2007)

Although local brands have great value, foreign brands continue to expand their value in major markets in China and perform as well as domestic brands. In China's most modern and densely populated city, Shanghai, foreign brands accounted for 54.8% of best-selling brands in 2006, an increase of 2.2 % from 2005, the year the market share of domestic brands dropped to 45.2%, and the gap between domestic and foreign brands tended to widen (H.K. Trade Develop Council, 2006). The 25 most valuable brands in China listed by Fortune Magazine comprised 18 foreign brands and 7 domestic brands. BMW, Microsoft, Intel, Benz, Coca Cola, and IBM were the top 6

on the list, and these were followed by Haier, Wuliangye and Kweichow, the top 3 valuable brands in Shanghai (Table 4-5). Some foreign brands have achieved the highest degree of identification by winning the greater favor of Chinese consumers, and in China, the top 3 identified enterprises are IBM, Volkswagen and Coca-Cola (China Today, 2004).

Table 4-5: Most Valuable Brands in China

| Rank | Brand | Rank | Brand | Rank | Brand | Rank | Brand | Rank | Brand |
|------|-----------|------|------------|------|---------|------|--------------|------|-----------------------|
| 1 | BMW | 6 | IBM | 11 | Moutai* | 16 | Motorola | 21 | Tsingtao Beer* |
| 2 | Microsoft | 7 | Haier* | 12 | Airbus | 17 | Walmart | 22 | Pepsi |
| 3 | Intel | 8 | Nokia | 13 | Porsche | 18 | Boeing | 23 | Siemens |
| 4 | Benz | 9 | Wuliangye* | 14 | Audi | 19 | Google | 24 | Sony |
| 5 | CocaCola | 10 | Kweichow* | 15 | Lenovo* | 20 | Tongrentang* | 25 | Nike & General Motors |

Note: * Domestic Brands. **Source:** Fortune (2006)

4.4 Top Advertising Media in China

The report of “China’s advertising industry top 10 selection” revealed in 2006 that CCTV (央視), Hunan Satellite TV (湖南衛視), Anhui Satellite TV (安徽衛視), Oriental TV (東方衛視), Focus Media (分眾傳媒), Narrow Ad (窄告網), Sohu (搜狐), TOM outdoors, HTC Media (華鐵世紀), and Sina (新浪) comprised the top 10 advertising media in 2005 (CCW, 2006). In 2008, TV maintained its absolute superiority by demonstrating a 76% advertising market share, and print media advertisings comprehensively increased, especially in terms of newspaper advertisings revenue, which reversed from negative growth to 19%, magazine

advertising grew more than 23% compared with 2007. However, the slowing trend of radio advertising showed an increase of only 7%. Apart from these positive situations, the overall amount was invested in outdoor media to accelerate the decline in its year-on-year negative growth of 10% (CTR Market Research, 2009). The top three foreign advertisers pooled their resources of more than RMB 500 million on TV commercials, and the top domestic advertiser, China Telecom, focused its advertising budget on newspapers, TV and out of home commercials (Table 4-6).

4.5 New Media in China

China has gone through 30 years of rapid transformation of Chinese society from the planned economy to the market economy, and at the same time, the behavior of consumers and their methods of contacting the media have also been changed by advertisements. New technologies have especially quietly changed the behavior of consumers in China within recent decades.

Table 4-6: Top Brands Spending on Different Media:2008

| Rank | TV (Radio) | | Newspaper | | Magazine | | OOH | |
|------|-------------------------------------|---|----------------------------|--|-----------------|------------------------------|---------------------------------|---|
| | Brand | Advertising Spending (RMB Million) | Brand | Advertisi- ng Spending (RMB Million) | Brand | Advertisi- ng Spending | Brand | Advert- ising Spendi- ng (RMB Million) |
| 1 | KFC (China Mobile Telecom) | 560.96 (37.55) | China Mobile Telecom | 164.82 | Lanco Me | 20.48 | China Mobile Tele- com | 40.66 |
| 2 | PUXUE (Roewe) | 542.08 (13.98) | Gome | 110.04 | Estee Lauder | 19.57 | Wang Laoji | 22.53 |

| | | | | | | | | |
|----|--|-------------------|------------------|-------|--------------------|-------|--------------------------|-------|
| 3 | OLAY (China Telecom) | 518.9 (11.99) | Suning | 95.46 | Chanel | 18.28 | China Telecom | 19.28 |
| 4 | COLGATE (China Unicom) | 400.71 (11.83) | China Telecom | 31.73 | LOREAL | 16.62 | Coca Cola | 17.91 |
| 5 | Master Kong (Suning) | 395.45 (9.28) | Dazhong | 23.61 | Christian Dior | 14.34 | Sam-sung | 16.71 |
| 6 | JiangZhong (Bank of China) | 384.46 (8.82) | Yisheng-kangjian | 21.16 | Clinique | 11.91 | Master Kong | 15.99 |
| 7 | Huangjin Dadang (Shanghai GM Buick) | 314.28 (8.65) | China Unicom | 20.82 | OLAY | 9.49 | Bank of China | 15.25 |
| 8 | Centrain (Mengniu) | 312.32 (8.35) | Amway Nutrilite | 19.9 | Shanghai VW Lavida | 8.2 | UPS | 12.46 |
| 9 | China Mobile Telecom (Lenovo) | 273.92 (7.52) | HISAP | 17.59 | Maybel Line | 8.19 | Bank of Commu-nica-tions | 12.22 |
| 10 | Ponds (Shanghai VW) | 246.43 (7.46) | Shuiyi-sheng | 17.58 | Samsung | 7.33 | Amway Nutrilite | 11.21 |

Source: CTR Media Intelligence (2008)

4.5.1 Internet and Cell phones

On September 20, 1987, a team of professors gathered at Beijing's Chinese Institute of Computer Application to establish China's first Internet connection. According to an investigation by the China Network Information Center, there were 0.6 million Internet users in China in Oct. 1997. Despite the "Gold Shield Project", the number doubled every six months during 1997-2000, and broke through the 100 million barrier in July 2005, an increase of 200 times compared with 1997 (Sun, 2007). By the end of June 2008, China had surpassed the United States in the number of online users with over 250 million netizens, 30 million users more than the US (table 4-7).¹⁵ (Chiu, 2008) Furthermore, the number of Internet users in China reached 300 million in Apr. 2009, and the number of cell phone users have simultaneously reached 650 million, both scoring as the world's number one. The scales of these two markets in China can be raised even higher since their penetration is still far below that of the US and Japan (Table 4-7). Between 2005 and 2007, six major Internet companies, namely, Sina, Baidu, Sohu, Google China, QQ.com and NetEasy, earned more than 50% of the total revenue of the Internet market in China. Baidu especially annually increased its share of the market from 7.9% in 2005, and became the market's number one enterprise with 16.5% two years later. All of these major sites were divided into seven sectors: web portal, search engine, Information, messaging, video and social networking (Table 4-8).

¹⁵ The "Golden Shield Project (金盾工程)" is a censorship and surveillance project operated by the Ministry of Public Security (MPS) division of the government of China. The project started in 1998 and began operations in November 2003.

Table 4-7: Globe's Top 3 Internet & Mobile Markets

| Country | Internet Users (Million) | Penetration | Mobile Users (Million) | Penetration |
|----------------|---------------------------------|--------------------|-------------------------------|--------------------|
| China | 300 | 24% | 640 | 49% |
| USA | 225 | 73% | 260 | 85% |
| Japan | 100 | >70% | 110 | >80% |

Source: Bo (2009).

Table 4-8: Major Internet Sites/Portals in China

| | |
|---|---|
| Web Portals | Sina, Sohu, Netease, Tom.com, Zhongsou |
| Search Engines | Baidu, Google China |
| Online Encyclopedias and Information Sites | Hudong, Baike Baidu, Chinese Wikipedia, Abang |
| Messaging | Tencent QQ |
| Video | Tudou, Youku |
| Social Networking | Xiaonei, Hainei |
| E-Commerce | Alibaba Group, Ctrip, Dangdang, Amazon China |

Source: Chiu (2008).

Although the number of Internet users has rapidly increased, an analysis released by CTR shows that people still place a lower emphasis on Internet media than other media. In Shanghai, Beijing, Guangzhou and Shenzhen, people mainly focus on TV, followed by buildings LCD advertising, whereas Beijing citizens appreciate Internet advertising next to TV and newspapers, and elevator advertising can only be seen in Beijing (Table 4-9).

Table 4-9: Degree of Media Attention from Audiences in Major Cities

| Form of Advertising | Average | Shanghai | Beijing | Guangzhou | Shenzhen |
|-----------------------------|----------------|-----------------|----------------|------------------|-----------------|
| TV | 90 | 83 | 93 | 92 | 74 |
| Buildings LCD | 72 | 72 | 19 | 63 | 50 |
| Newspaper | 43 | 45 | 55 | 49 | 20 |
| Elevator Advertising | 32 | 50 | 2 | 41 | 17 |
| Internet | 22 | 5 | 45 | 15 | 18 |

Source: Du (2008).

A report by Nielsen, “China Trend watch, 2007” proposes that the Internet will become the most efficient method for a quick understanding of consumers across China’s vast markets. Moreover, another report suggests that 72 percent of Chinese television viewers left the room or changed channels when advertisements were aired in 2004, which was an increase of 30 percent compared with 1999. (Lane, St-Maurice, and Dyckerhoff, 2006) Sina, China’s leading Internet portal and the first Chinese internet company to be listed on the Nasdaq, accounted for almost one third of the Chinese advertising market in 2004 (Morris, 2004). In 2001, the Internet advertising market was worth RMB 460 billion and this increased by 30% in 2002 to 610 billion. By the end of 2007, the turnover hit 10 trillion, and is estimated to reach 37 trillion in 2010 (Table 4-10). The Internet is making all efforts to achieve the public sphere by means of an interaction between new and old media. Firstly, the interactive concept of new media has deeply influenced old media, and TV now largely uses mobile phone voting and messages as a means of interaction. Secondly, the public space of speech built by the new media has changed the old media’s control of public opinion, and new media has made a breakthrough from the old media’s blockade of information

(Liu, 2007). Among different new media, the cell phone is the most convenient means for ordinary people to receive messages. The technology of mobile phones has become a text, picture and video multimedia information transporter, which has been described as the “fifth media.” As mobile phone are becoming more popular than computers, more interactive than newspapers, more portable than television, text, pictures, two-dimensional codes, videos, voice and other forms of mobile phones have become of widespread concern in the industry. Research reveals that China has 243 million broadband users, which is 1.76 times that of the US, and the number of mobile web access users in China has reached US\$102 million, which is nearly five times more than the 18 million in the United States (Netpop Research, 2009).

Table 4-10: Scale of China’s online advertising Market: 2001-2010

| Year | Market Size (RMB Million) | Growth Rate (%) |
|--------------|--------------------------------------|----------------------------|
| 2001 | 460 | |
| 2002 | 610 | 31.8 |
| 2003 | 1,310 | 115.3 |
| 2004 | 2,340 | 78.1 |
| 2005 | 4,070 | 73.8 |
| 2006 | 6,050 | 48.5 |
| 2007* | 8,500 | 41.0 |
| 2008* | 13,300 | 56.0 |
| 2009* | 17,800 | 34.0 |
| 2010* | 23,900 | 34.0 |

Note: *Estimated. **Source:** iResearch (2006)

In recent years, the first steps toward mobile phone advertising have begun to be taken, and some mainstream independent WAP sites and advertising companies have also become involved in the mobile phone advertising market. 3G portals, air networks, a large number of mobile phone networks independent WAP sites have emerged. These independent WAP sites, which can not only provide information browsing, but mobile search, video broadcasting, online music, such as a variety of wireless Internet services, they have a relatively large group of users and a certain brand, which has become the new media platform. Mobile and Internet media together produced RMB 114 billion (US\$15 billion) in revenue in 2006, which accounted for one third of the overall revenue of the nation's media industry. This was a rise of 56% from the previous year, and mobile media, such as cell phones, short messaging services and cell phone broadcasting, generated RMB 88.8 billion in 2006, which was a rise of 41.3% from 2005 (Shanghai Daily, 2007).¹⁶

4.5.1.1 Popularity of Cell Phone in Major Cities

The number of mobile phone users has rapidly increased with the popular demand for communications services, which has made mobile phones in China not a luxury, but an essential tool for daily living. According to the results of a survey, the percentage of residents in Beijing and Shanghai who own mobile phones has reached more than 80% (Table 4-11), and cell phone short messages have grown 25 times within three years, with the total short messages reaching 40 billion in 2006 (Table 4-12).

4.5.2 Urban Popular Media: Buildings LCD TV

Among the many new media in China, buildings LCD TV is one of the most

¹⁶ The cell phone became a mass media channel in 1998 when the first ringtones were sold to cell phones by Radiolinja in Finland. Soon other media content appeared, such as news, videogames, jokes, horoscopes, TV content and advertising.

considered media at present. Nielsen Media Research studied this media in 2005 and the results showed that buildings LCD TV are very well accepted by urban residents in China. For instance, in Beijing, 66.5% of people like buildings LCD TV as an advertising media, and more than 80% of residents in Beijing, Shanghai, Guangzhou and Chendu consider that Buildings LCD is a reliable form of media which can inspire the desire for consumption (Table 4-13).

Table 4-11: To use or not to use Mobile Phones

| Cities | Indicators | Yes | No | Total |
|----------|----------------|------|------|-------|
| Beijing | Number | 440 | 71 | 511 |
| | Percentage (%) | 86.1 | 13.9 | 100 |
| Shanghai | Number | 416 | 90 | 506 |
| | Percentage (%) | 82.2 | 17.8 | 100 |

Source: Du (2008)

Table 4-12: Accumulation of Short Message Services in China: 2004-2006

| Year | 2004 | | | 2005 | | 2006 | |
|---------------------------|-------|-------|--------|--------|--------|--------|--------|
| Month | Jan. | Jun. | Dec. | Jun. | Dec | Jun | Nov |
| Accumulation (Billion) | 15.66 | 99.63 | 217.76 | 139.25 | 304.65 | 202.96 | 389.12 |
| Growth Rate (%) | 91.2 | 71.0 | 58.8 | 39.8 | 39.9 | 45.8 | 41.8 |

Source: Du (2008)

Table 4-13: Attitude toward Buildings LCD TV in Major Cities

| City | Very Like (%) | Like (%) | Common (%) | Other (%) | Total (%) |
|-----------|---------------|----------|------------|-----------|-----------|
| Shanghai | 5 | 54.5 | 44 | 3.5 | 100 |
| Beijing | 4 | 62.5 | 30 | 3.5 | 100 |
| Guangzhou | 3 | 47.5 | 44.5 | 5.0 | 100 |
| Chengdu | 5 | 66.0 | 29 | 0 | 100 |

Source: Du (2008)

According to another survey of residents in these four major cities, buildings LCD TV has become the major information source of cell phones, IT products, cars, traveling, and cosmetics for high-end residents, and its recall rate is noticeably higher than that of tradition household TV (Table 4-14).

Table 4-14: Recall Rates of Household TV & Building LCD TV

| | Recall Rate of Commercials (%) | |
|-----------|--------------------------------|-----------------|
| | Household TV | Building LCD TV |
| Shanghai | 3.0 | 3.4 |
| Beijing | 1.9 | 2.9 |
| Guangzhou | 2.4 | 3.3 |
| Chengdu | 2.3 | 3.3 |

Source: Du (2008)

4.6 Top Advertising Agencies in China

Ever since China entered World Trade Organization in 2003, foreign investors have

gradually been allowed to hold 100% pure foreign advertising companies in China, which has resulted in the Top 10 advertising agencies in China changing rapidly. In 2004, 60% of the top 10 agencies were excluded from the list within two years, and more than 80% of new members on the list in 2006 were foreign companies. Only one domestic company, the Beijing Future Advertising Agency, which is operated by CCTV, was listed as 8th in 2005 and 10th in 2006.

A Japanese advertising group, Beijing Dentsu, is the top advertising agency in China with an average 20% annual growth rate of revenue and this is followed by Jiangsu Dahe International and Saachi & Saachi Great Wall. Along with the Shanghai Advertising, only these four companies remained in the top 10 list from 2003 to 2006, but the outdoor media, the Tom Outdoor Media Group, joined the list in 2003 and 2004, and exited with another five companies in 2005, instead of Leo Burnett Advertising, Lintas, Framedia, J.Walter Thompson-Bridge Advertising (Shanghai), Beijing Samsung Advertising, and the CCTV operated advertising company, the Beijing Future Advertising Agency (Table 4-15).

4.7 2008 Beijing Olympics

The Olympic Games commercial was expansive but expected to be effective. At the time the Beijing 2008 Olympics were being aired in August 2008, thousands of miles away, the nominees for the US presidency, Senators McCain and Obama, spent about the same amount on advertising as was spent on the Olympics TV advertising, i.e. between US\$5 and US\$6 million. This expenditure was the single biggest purchase of broadcasting network advertising time by a US presidential candidate in several decades (Kaplan, 2008). Although the expenditure of the US presidential candidate has no relationship with the Chinese advertising market, the PWC's entertainment and

media practice predicted that the advertising spending related to the Beijing Olympic Games was expected to double in 2008, and that this growth would be visible across all media delivery platforms, including print, radio and television. Group M, the largest media advertising-buying agency under the WPP Group, made an even bolder prediction, of 29 percent growth in advertising spend in 2008. In addition, CTR expected the 2008 Beijing Olympics to drive the growth of advertising spending until 2009.

On the other hand, more than 160 million Chinese people had access to first hand news of the Olympic Games from the Internet. According to statistics of the Internet traffic monitor company, the Alexa Institution, during the period of the Olympics, the flow of the internet traffic of the four major Chinese Internet portals more than doubled, or even increased more than tenfold. The Tencent net daily average flow of traffic broke one trillion, and in order of magnitude, and those which hit the most Internet traffic, it ranked first of the four major portal sites, followed by Sina, Netease and Sohu, the Olympic sponsors (China Economic Weekly, 2008).

Table 4-15: China's Top 10 Advertising Agency Ranking by Revenue: 2003-2006

Unit: RMB Thousand

| Company | 2003 | 2004 | 2005 | 2006 |
|---|-----------|-----------|----------|-----------|
| | (Ranking) | | | |
| Beijing Dentsu | 3,900(1) | 5,000(1) | 5,700(1) | 7,100(1) |
| Saatchi & Saatchi Great Wall | 3,500(2) | 4,100(2) | 4,300(3) | 4,800(3) |
| Tom Outdoor Media Group | 1,600(6) | 3,900(3) | | |
| Jiangsu Dahe International | 2,400(5) | 3,100(4) | 4,700(2) | 5,300(2) |
| McCann Erickson Guangming | 2,600(4) | 2,700(5) | | |
| Jiangsu Post Advertising | 2,900(3) | 2,700(6) | | |
| Dalian Tiange Media | | 2,600(7) | | |
| Shanghai Advertising | 900(9) | 2,600(8) | 3,500(4) | 3,700(5) |
| Top Result | 1,200(7) | 2,400(9) | | |
| Shanghai Art Design | 1,200(8) | 2,200(10) | | |
| Leo Burnet Advertising | | | | 4,300(4) |
| Lintas (Lever Int' Advertising Service) | | | | 2,800(6) |
| Framedia | | | | 2,700(7) |
| J.Walter Thompson-Bridge Advertising, Shanghai | | | | 2,700(8) |
| Beijing Samsung Advertising Co., Ltd | | | | 2,300(9) |
| Beijing Future Advertising Agency | | | 2,100(8) | 2,200(10) |





Source: Dentsu Annual Report (2004-2007)

4.7.1 Sponsors, Partners and Exclusive Suppliers of Beijing Olympics

The Beijing Olympic Games had 12 worldwide partners, including the domestic personal computer enterprise, Lenovo Group, and another 11 domestic partners, 10 sponsors, including the Taiwanese company, Uni-President, and 15 exclusive suppliers (Table 4-17). Although the Chinese Government took action to protect the rights of the Olympic sponsors,¹⁷ as a result of not understanding the Olympic-related rules, many domestic commercial suppliers produced Olympic-linked advertising and infringing goods, which were illegal and went against the Olympic intellectual property rights, especially in terms of outdoor advertising. The Beijing Industrial and Commercial Sector increased the intensity, and supervised a total of 142,576 incidents of infringing content advertisement, including the cleaning up of 2,020 infringing outdoor advertisements.

¹⁷ Chinese government released “Regulations on Protection of Olympic Symbols” on 1st Apr. 2002 for the purposes of strengthening the protection of Olympic Symbols, protecting the lawful rights and interests of the owners of the Olympic Symbols, and ensuring the dignity of the Olympic Movement.

Table 4-16: Sponsors, Partners and Exclusive Suppliers to the Beijing Olympics

| Sponsors | Companies |
|---------------------|--|
| Worldwide Partners |  |
| Partners |  |
| Sponsors |  |
| Exclusive Suppliers |  |

Source: Official Website of the Beijing 2008 Olympic Games, <http://en.beijing2008.cn/>

4.7.2 Advertising Spending During the Olympics Period

In August 2008, although sponsored advertising grew by 40%, advertising spending grew only by 7% in comparison with China's advertising spending, which grew by an average of 19% in the seven months leading up to the Olympic Games. According to

Nielsen, many advertisers suspended advertising in August, causing the overall advertising spending to tumble to level in May 2008, when the Sichuan earthquake hit and advertising was suspended for three days (Nielson Wired, 2008). The fall in advertising spending in Aug 2008 may have been caused by so-called “ambush marketing (hidden marketing).” Although Chinese officials protected sponsors from been “ambushed” by infringing advertisements, this was widely recognized as “a waste of money” by many marketers, and the Olympic organizers removed many billboards around the sites of the Games (Pfanner, 2008).

4.7.3 Winners of Olympic Advertising

The “Economic blue book, 2008”, published by the Chinese Academy of Social Sciences in 2007, forecast that the Beijing Olympic Games would accelerate the development of the economy and cause the beginning of a period of breaking out, and continue to increase investment in leading roles. It was estimated that the Beijing Olympics would bring in US\$16 million of direct revenue, that the marketing revenue would be more than US\$2 billion, and that the Beijing Olympic Games would be far better than the Sydney and Athens Olympics. The Beijing Olympic Organizing Committee estimated the profits from the exclusive coverage of TV broadcasting would reach US\$833 million. China’s Audit Office published financial accounts of the Beijing Olympic Games in June 2009 which showed that the Olympic venues would produce 20.5 billion, expenditure of 19.343 billion, and the balance would be more than RMB 1 billion. Both Chinese and foreign TV companies would profit simultaneously from the extraordinary revenue from the Olympic Games. According to the CCTV rating survey in 2008, the revenue of CCTV Olympic Games’ broadcasting was estimated at RMB 2 billion. Moreover, the National Broadcasting Company (NBC), which had exclusive coverage of the Beijing Olympics in the

United States, produced 3600 hours of Olympic programming on television, cable channels and on-line player, which brought more than US\$900 million of revenue (China Review News, 2008). In China, CCTV caught the attention of most people, and with a ratio 52.19%, CCTV captured half of the national ratings. From the August 8th Olympics opening ceremony to the 24th closing ceremony, CCTV's Olympics reports attracted a 1.12 billion audience to watch the Games. The opening ceremony attracted more than 800 million viewers, which broke the record of 300 million for the New Year's Eve Evening Show (Wenweipo, 2008).

Just as important as TV, the overall number of internet users on the day of the Olympic Games opening ceremony reached 161 million people, which revealed the potential of internet communication. Research by AC Nielsen points out that the Internet and television had both become the most important media for users to access information about the Olympic Games (XinhwaNet, 2008).¹⁸

4.8 Summary

Ever since the advertising market was first developed in China, media has dominated the market and the legislative restriction on operating media in China means that, although foreign investors may never be able to operate in the business of the media, foreign advertising agencies are performing well in China's advertising market with revenue shares increasing year by year. The top advertising companies in China are mainly foreign companies, and this demonstrates that foreign transnational companies are playing an important role in China's advertising market.

¹⁸ PPS.TV, the most popular online television service simultaneously broadcast all of the 2008 Olympic Games which, it is estimated, attracted 100 million Olympic online viewers in China.

As a result of competition and progress under the 30 years of the prosperous development of the advertising market in China, although TV, especially CCTV, obtained most of the advantages of the market, the Internet caught up and played a relatively important role during the Olympic Games. TV and the Internet have both been considered to be the most important media for users to access information of important events. Thus, the potential of the Internet cannot be ignored.



***Chapter 5* Perspective of China's Advertising Market**

As mentioned in Chapter 2, a survey indicated that the media advertising of twelve Asia-Pacific region countries rose to US\$83.5 billion in 2006, mainly driven by three big countries, China, India and Indonesia. The boom of China's advertising growth is surprising, sharing more than half of the region's total amount. From another perspective, without China's advertising boom, the growth of the whole region would have fallen from 15% growth rate to 5% in 2006. Compared with the other nations in the region, Hong Kong experienced 8% of the high growth rate, and the remaining nations, such as Thailand, Malaysia and the Philippines all grew by 4%. Australia, and South Korea both grew by 2%, while Taiwan and New Zealand respectively declined by 3% and 2% (Nielsen Media Research, 2007), which highlights the fact that China has become the superstar of the Asia-Pacific Region.

5.1 Online Advertising Attracts Advertisers

There has been a great many opposing views about the impact the global financial crisis will have on China. On one hand, it is believed that many large companies will reduce their advertising spending, including the Internet, due to the slowdown of the economy. On the other hand, some point out that the financial crisis will drive online consuming, with a concomitant increase in online advertising. In 2008, more and more companies are showing an interest in online advertising in China, which is much cheaper and more effective than advertising on TV and newspapers, since TV advertising fees have increased and newspaper circulation figures are falling.

Although the global economic downturn affected the GDP growth rate of China, in

the sphere of the Internet at least, there is still optimism about the development of the advertising business. In fact, China's online advertising market revenue continued to increase by 70% year-on-year in the first two quarters of 2008, since the financial crisis drove people to seek entertainment, an ideal choice of which is free music and games. On October 10th, Analysis International reported on China's online advertising industry, which gave a positive outlook to the market, and Optimedia China predicted that the volume of China's advertising market would reach RMB 19 billion (US\$2.78 billion) by the end of 2008 (Chen, 2008).

As early as the initial stage of the financial turmoil, one of the world's Internet giants, Google, launched a series of similar activities to attract advertisers in China, which helped to boost the company's Chinese branch revenues by RMB 973 million in the first three quarters of 2008, with a market share which increased from 23.4% in 2007 to 26.9%. Although some start-up Internet companies are closing down due to a lack of foreign investments, the impact of the global financial crisis on the Internet industry is much less than estimated (China Daily, 2009). Since the second half of 2008, due to the financial turmoil, China's exports declined rapidly, and many domestic companies turned to the Internet to expand the domestic market. Simultaneously, because it is cheap and convenient, purchasing goods on the Internet is more and more popular in China nowadays, and the revenue from web buying is expected to reach RMB 126.3 billion in 2009. In the previous year, the total revenue of Asia's largest network of retailers, Taobao, reached RMB 99.96 billion, which was a growth of RMB 43.3 billion, an increase of 131% compared with 2007 (Xinhua Net, 2009).

5.2 Children are the Future Market

China is the most densely populated country in the world with 1.3 billion people, including 325 million children, 110 million of which live in urban cities, and more than 200 million live in rural areas. This is the largest population of children in the world. According to the fifth census statistical bulletin issued by Chinese officials in 2000, the average family monthly consumption for 0-3 year-old infants was about RMB 900, and the annual baby and children's supplies market in China was estimated to be more than RMB 100 billion (China Milk Powder Market, 2008). Moreover, China is facing a new stage in its baby boom. In 2006, AC Nielsen observed that the largest number of newly-weds in China led to an increased birth rate the following year. Since the mid 1980s, due to the "one child" policy, the birth rate in China was sustained at 0.18%, but the boom of newly-weds increased the birth rate to 0.21% in 2006 and 2007, which was almost a 9% growth compared with 2005.¹⁹ According to statistics issued by the China Investment Advisory Network, in 2005 and 2006, the amount spent on children's clothing in major shopping malls in China increased over the previous year by 15.50% and 11.63% respectively. Moreover, the CIAN predicts that the number of new born babies will double and the growth of China's birth rate will peak at 15% in 2010 and will be maintained in consecutive years. Another study by McNeal and Yeh estimates that Chinese children influence 68% of household purchases, 23% higher than households in the US. Another study by McNeal and Zang in 2000 indicates that children largely exert a direct influence on family purchases of US\$60 billion per year, and combined with their indirect influence, this has been approximated at US\$125 billion, and that children's influence on household spending will grow commensurately (Chan and James, 2008). This data shows that a

¹⁹ Although Chinese government statistics show that the average family birth rate is currently 1.8 compared to 5.8 in the early 1970s, population experts are predicting a mini-baby boom before 2010.

focus on children will be the major future strategy of the advertising market in China.

Table 5-1: New Product Information Images of Chinese Children

| Source | TV | Parents | Store visits | Friends | Newspapers | Radio | Outdoor Advertisings | Magazines |
|------------|-----|---------|--------------|---------|------------|-------|----------------------|-----------|
| Ranking | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| Percentage | 77% | 47.7% | 41.3% | 39.6% | 33.8% | 25.2% | 14.2% | 12.2% |

Note: Multiple Choices of Different Media

Source: Kara and James (2004)

5.3 Trend of Growth in the Advertising Market

According to a forecast by the Center for Studies of Media Development of Wuhan University, based on a yearly growth rate of 14.2%, advertising revenue is estimated to reach RMB 267.5 billion in 2010, and RMB 519.6 billion in 2015, three times more than in 2006.

Table 5-2: Advertising Revenue Forecasts Based on 14.2% GDP Growth Rate

| Year | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|-----------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Advertising Revenue (RMB Billion) | 157.3 | 176.9 | 205.1 | 234.2 | 267.5 | 305.5 | 348.9 | 398.4 | 455.0 | 519.6 |

Source: Chang (2007)

Table 5-3: Advertising Revenue Forecasts Based on 9.5% GDP Growth Rate

| Year | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| GDP (RMB Trillion) | 20.94 | 22.93 | 25.10 | 27.49 | 30.10 | 32.96 | 36.09 | 39.52 | 43.28 | 47.39 |
| Advertising Revenue (RMB Billion) | 167.5 | 183.4 | 200.8 | 219.9 | 240.8 | 263.7 | 288.7 | 316.2 | 346.2 | 379.1 |

Source: Chang (2007)

On the other hand, according to estimates based on an average 9.5% growth rate of GDP, the advertising revenue of 0.8% share of the GDP, China's GDP will reach RMB 30 trillion in 2010, and its advertising revenue will increase to RMB 240 billion, 379 billion in 2015, 17% less than the estimate based on the average growth rate of advertising revenue. Moreover, the annual auction for prime-time advertising slots on CCTV in 2009 has hit a record RMB 9.26 billion. The auction jumped 15.4%, and the largest buyer, Procter & Gamble (P&G), was estimated to have spent roughly RMB 515 million, up 6% from last year (Normandy, 2008).²⁰

In order to overcome the impact of the financial crisis of 2008, China plans to invest four RMB trillion to expand domestic demand, especially consumer demand, within two years for the best achievement, including investing RMB 600 billion to promote technological innovation, and RMB 850 billion to promote the medical and health system (XinhuaNet, 2008a). An analysis of these revitalization programs is expected in the second half of 2009 and the first half of 2010, bringing a “man-made”

²⁰ P&G was the top bidder of CCTV's 2009 airtime auction at the 2009 CCTV prime resource auction, spending RMB 515 million, a six percent increase on its spending in 2008 (RMB 480 million) and RMB 420 million in 2007.

economic growth rate, which is not expected to be low (United Daily 2009).

5.4 Problems of Chinese Advertising Market

Compared with the same period in 2007, the total retail sales of goods in China in February 2008 kept rising by 20% with a total amount of RMB 835.47 billion, including a 19.2% growth rate of urban areas and 20.6% of country areas. The townships and villages performed 17.7%. 568.31 of the RMB 835.47 billion, and over 70% of retail sales was made in urban areas, nearly 20% was made in townships and villages, and 10% in country areas (Bureau of Statistics, 2008).

In 2007, the annual per capita net income of rural residents reached RMB 4,140, an actual increase of 9.5% over 2006 after deducting price increases. On the other hand, the disposable income of Chinese urban residents per capita increased to RMB 13,786, an actual increase of 12.2%. These figures demonstrate that the Engel coefficient of Chinese rural households (i.e. household food expenditure of households as a proportion of total expenditure) was 43.1%, while the Engel coefficient of urban households was 36.3%. Thus, the purchasing power of the Chinese people has grown up to five trillion US dollars per year, which surpasses Japan, and makes China the second largest market in the world. China's purchasing power indicates that it has transformed itself from the "world's manufacturing plant" into the "world's consumer market" (Lin, 2006). Although China has overtaken Japan, there are still some uncertainties, which are described below, which may turn the Chinese market into an unstable situation.

5.4.1 Influence of Financial Crisis

An analysis by the World Bank indicates that the impact of the international financial

and economic turmoil on China's economy was manageable in late 2008, but is expected to intensify. Premier Wen Jiabao considers that the initiator of the financial crisis was a serious imbalance in the US economy, mainly due to long-term dual deficits which relied on borrowing to maintain high consumption. Long-term ineffective supervision of financial institutions enabled the use of high leverage ratios to obtain huge profits and once the bubble burst it brought disaster to the world (Financial Times, 2009).

Although when he visited China in 2007, Paul Wolfowitz, the President of the World Bank at that time, said that 400 million Chinese had been lifted above the 1 US-dollar-a-day poverty level within 20 years, he urged the country he called “a major global force” not to think of trade surpluses and rapid economic growth, but rather to think of the amazing poverty reduction. Instead, the trend of the economic market in China has experienced a downturn from the impact of the financial crisis of 2008 (Finfacts, 2005).²¹ Carat's worldwide prediction for 2008 is revised downwards by more than a percentage point from 6.0% to 4.9% in the US, the UK, Spain, and surprisingly China, which has long been touted as a bright spot among the gloom. In 2009, the prediction has also been slightly reduced, from growth of 4.9% to 4.8%.

Due to the impact of the May earthquake and uncertainty about post-Olympics advertising spending, China's growth has been revised downwards by a percentage point for 2008. The forecast for 2009 is that China will have a significant decline in growth from 13.2% to 10.9%.

²¹ Paul Dundes Wolfowitz (born December 22, 1943), former United States Ambassador to Indonesia, President of the World Bank. Currently a visiting scholar at the American Enterprise Institute, working on issues of international economic development, Africa and public-private partnerships, and chairman of the US-Taiwan Business Council.

In October 2008, the index of China's economic aggregate demand (consumption, investment, government spending and net exports) indicated a rapidly freezing economy, which could lead to an even worse deterioration of the global economy. From the perspective of the consumer, October consumer growth rated 18 percent compared with the same period the previous year, fell 0.6 percentage from September, and consumer confidence fell to 92 points in November, the lowest point in three years. The entire index indicated that the October 2008 could be a turning point in China's economic growth after the global financial tsunami. Furthermore, in the Spring of 2009, Chinese local governments took a more active prevention in enterprise-owner "malignant collapse" due to the economic recession (Economic Daily, 2009). Furthermore, a survey showed that the vast majority of advertising agencies in China lacked confidence in their future operations in 2009. However, the survey also showed that the year 2009 would be full of "crises" and "opportunities", coexisting in the advertising industry. Generally, the optimistic expectation of turnover in 2009 had declined from 79.7% to 64.7%. In contrast, the ratio of pessimistic prediction of turnover had increased by nearly 10 percent (Modern Advertising, 2006).

5.4.2 Insecure Consumers

Although China has the highest savings rate in the World, due to their devotion to the traditional virtue of frugality, Chinese people prefer to deposit more money in the bank than they withdraw, and especially since more than 6 million workers and peasants had been unemployed since 1987, the uncertain general public would rather save for a rainy day than spend. The savings of China's urban and rural residents has been held at more than RMB 6 trillion. Even though the gap between rich and poor in

China is very prominent, these huge amounts of savings are held by well-off families. A new survey by Gallup which was published in “Fortune” magazine shows that a number of Chinese consumer groups, though limited, hold 70% of the nation’s wealth (Meng, 2003). China’s national savings rate is close to 50%, and the household savings rate is about 30% of the family’s income. Thus, China has the world’s highest propensity to save among the major economies. However, even though well-off Chinese families are holding huge amounts of wealth, the Gallup survey showed that, on the contrary, 68% of Chinese people are dissatisfied with their savings, since state-owned enterprises have laid off more than 60 million workers since 1997, which is the cause of the insecurity of their employment and income (Roach, 2006). Insecure Chinese workers are afraid of the instability of their jobs. A British report quoted the “China Daily-overseas edition” which revealed that, by the end of 2001, a total of 5.15 million workers were laid off by state-owned enterprises, and 20% of China’s 800 million peasants were unemployed during the same period. The unemployment rate was 3.5%, and an estimated 6.81 million Chinese people lost their jobs and were looking for new occupations (BBC, 2002).

5.4.3 Disorganized Online Advertisements

Advertisers in China face problems in advertising across multiple online platforms due to the fact that there are more than 130,000 different online advertising formats in China, compared to the 200 formats found in the US, which increases costs for advertisers. In fact, US National Online Advertising Standards had been set up by the Interactive Advertising Bureau (IAB), which contained different sizes, shapes and locations of rectangles and pop-ups, banners and buttons, skyscrapers on web pages,

but these had been ignored in China for a long period of time.²²

Eventually, the China Advertising Association, which operates under the auspices of the Ministry of Commerce (MOC), has drafted standards to control the format of online advertisements. However, online platform operators are unwilling to change the format of their own advertisements, and thus, government support will be needed to enforce the standards (TMT China, 2008). Whether the portal industry likes it or not, Interactive Network Commission of the China Advertising Association issued “China’s Internet advertising recommended standard (for trial implementation)” shortlisting websites frequently used by 199 formats of advertising standards. This was recommended on January 1st, 2009 for reducing sales and production costs, and promoting the development of the Internet industry, and non-mainstream formats in the online advertising market are expected to be eliminated in 6 months (Xinhua Net, 2008b).

²² The Interactive Advertising Bureau (IAB) was founded in 1996, and is comprised of more than 375 leading media and technology companies who are responsible for selling 86% of online advertising in the United States.

Front Page of Sina



Front Page of Alibaba



Figure 5-1: Unified Format of the Websites of Sina and Alibaba

Source: Home pages of Sina and Alibaba. (8 June 2009)

In Jun 2009, there did not appear to be a unified format between the two major web advertising media, Sina and Alibab, including formats, advertising banners, etc. This demonstrates that there is still a long way to go to unify the various bars of the web pages (Figure 5-2).

5.4.4 Lack of Consumer Credibility

Nowadays, although the media is continuously delivering messages and devoting itself to explosive information, this increasing information is continually having its credibility reduced in the eyes of the consumer. At the same time, China's business environment is still deficiently regulated. Numerous false messages still exist within business information, which reduces consumer confidence in business information in China.

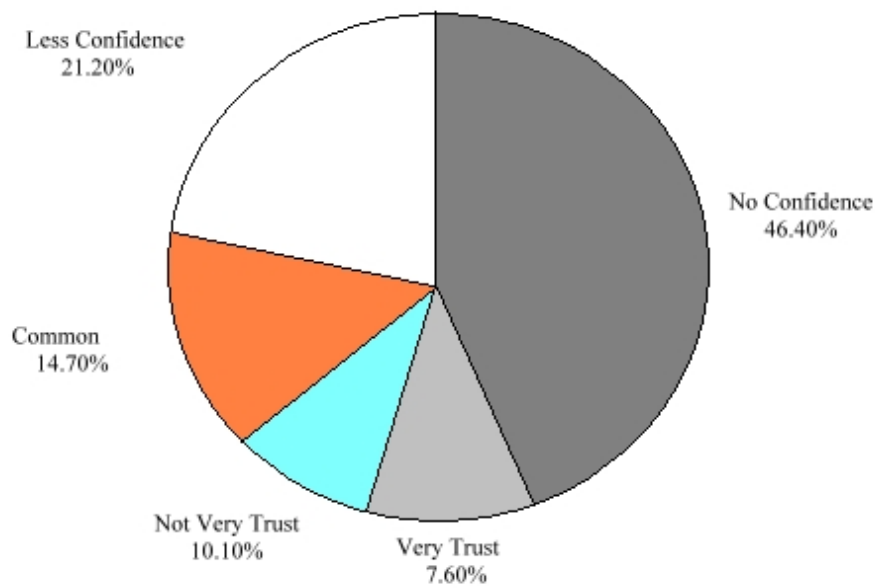


Figure 5-2: Consumer Confidence in Commercial Advertising

In 2006, the China Consumer Association revealed a report, entitled, “The investigation of consumer’s confidence in commercial advertisements” which indicated that the incredibility rate of consumers had risen to 67.6 percent, including 46.4% “do not trust,” 21.2% have “less confidence,” and only 17.7% of consumers trust in commercial advertising, including 7.6% consumers were “very trusting,” and 10.1% who were “not very trusting”. As a result of the phenomenon of a credibility crisis in China, academics consider that enterprises should take more social responsibility for establishing an enduring and reliable corporate image (Huang, Kuochin and Shiao, 2009).

5.4.5 Lack of Professional Manpower

In China, the education of advertising developed, and then ceased for more than three decades until it began to flourish in the 1980s. However, it is still inefficient in providing fully trained advertisers for the market. Advertising education and training

was initiated in 1918, the year the National Beijing University set up an “Association of Journalism Study,” which contained advertising as an important part of journalism research and education. In the ensuing years, journalism education began to spread in China and incorporated advertising as an obligatory course of journalism studies.²³ Then, advertising education was stopped, along with commercial education after the establishment of the PRC in 1949 until Xiamen University set up an Advertising Department in 1983, and prosperously developed it since 1992. Currently, China has 242 Academic Advertising Departments at various colleges in China (Table 5-4).

Table 5-4: Advertising Departments in China’s Institutions and Colleges

| College | Number | Proportion (%) |
|----------------------|------------|----------------|
| Science of Art | 96 | 39.7 |
| News and Advertising | 66 | 27.3 |
| Social Science | 28 | 11.6 |
| Economics & Managing | 9 | 3.7 |
| Chinese Literature | 15 | 6.2 |
| Others | 28 | 11.6 |
| Amount | 242 | 100 |

Source: Ding (2009)

Although the Advertising Departments have alleviated the manpower needs of the rapidly growing advertising market, obviously, the blindness and speculation of advertising academics were obvious, and resulted in subjective positioning. Training objectives and course designs for advertising education are still indefinite. Colleges are actively attempting to innovate the existing weaknesses of the inadequacy of

²³ Some scholars believe that Xiamen University founded China’s first advertising professional education in June 1983.

teachers and funding, lack of teaching materials, and lack of teaching facilities, which are prevalent in Advertising Departments in China today (Sun, 2007).

5.5 Summary

Some of the problems in the Chinese advertising market have caused a deficiency of the market's development. First of all, part of the industry lacks credibility, which has resulted in 46.6% of customers losing their trust in commercial advertisements. Secondly, the advertising market in China lacks professional manpower, which may affect the normalization of the development of the advertising industry. The illegal advertising during the Olympic Games, described in this chapter has especially seriously damaged the credibility of the industry. In short, China's advertising market needs more justice and conscience to recover its credibility. Despite the Financial Crisis taking place in 2008, Chinese consumers are optimistic for an economic recovery in the short term, and a prosperous future development can still be predicted for the advertising market in China, especially the fast growing "low cost" online advertising, which has sufficient potential for further development and attracts more advertisers.

From the perspective of population, China has the biggest population of children, with 325 million, and since a baby boom is expected, the percentage spent on children's clothing has increased by two digits over the past few years. Furthermore, the family decision-maker is influenced by children in an estimated 68% of household purchases, which have reached US\$60 billion per year, and the influence of children on household spending will grow commensurately. Thus, the "children market" will become one of the most important markets in future decades.

***Chapter 6* Conclusion and Recommendations**

Throughout 30 years of advertising exercises with various stages of rapid development and changes in China, it is worth noting that, from 2005 to the financial crisis in 2008, the growth rate of the advertising industry in China has suffered a downturn, which has accelerated the shifting of the advantages between local and foreign advertising companies, media and advertising agencies, traditional media and new media in the market, and intensified the conflicts between these various entities, fermenting a mature advertising market.

6.1 Research Conclusions

The major findings from investigations in previous chapters can be summarized as follows:

1. China was expected to be Globe's 2nd largest advertising market in the short term

China has been regarded as the dominator and key driver of economic growth of the Asia-Pacific region. Furthermore, it has become one of the world's leading advertising markets, and the Globe's 3rd largest advertising market after the USA and Japan. With the promise of ranking up in Globe's market, China was expected to surpass Japan within years by two digits of growth rate, disregarding the Financial Crisis of 2008.

2. Transnational advertising agencies are taking the advantages of China's advertising market from domestic companies

Since the very beginning of the development of the advertising market in China, the

media has dominated the market and the legislative restriction on operating media in China. Although foreign investors may never be allowed to operate a media business, foreign advertising agencies perform well in the advertising market and their revenue share is increasing year by year. In the beginning of the advertising business in China, mainly foreign companies were listed in the top advertising companies, and foreign transnational companies have already earned more and more revenue in China's advertising market in a very short time. Simultaneously, the more the requirements for advertising services, the better the class of advertisement demanded by clients. This is a skill possessed by foreign advertising companies, since they have better professional services, which is why they have taken 20% of the distribution of the market and weakened domestic players, especially part-time domestic advertising companies, turning them into "scattered and weak" firms.

3. China's advertising market has been dominated by the major media for a long time

Although it is operating under a strict control system, China's advertising industry may still sustain a long-term prosperous development. During the past three decades of development, the traditional media, especially TV and newspapers, have shared more than fifty percent of the revenue from the market and dominated it for a long time. However, they are gradually losing their domination of the market to advertising enterprises; additionally, and the continuous innovation of communication, which has facilitated the fast growth of online businesses, has encouraged the future development of the advertising market in China to make an unexpected turning. The importance of new media will be further described in the next chapter.

4. China has various regional markets with different characteristics

Development is unequal in China, with 43% of urban residents among the 1.3 billion people living in major cities, so that the media and advertising are synchronized to develop unequally. Thus, the localization of strategies with various characteristics is unavoidable for further developing the advertising market in China. This may create opportunities for the prosperous development of small advertising agencies, but large-scale professional advertising companies must also adapt to different regional characteristics to provide more intimate services for local advertisers.

5. The Internet is emerging in the advertising market

Although TV, especially CCTV obtains the most advantages from the market, the Internet is catching up with TV and played as relatively an important role as TV during Olympic Games. The TV and the Internet are both considered as the most important media for users to access information of important events. Therefore, the potential of the Internet cannot be ignored.

6. China's advertising market is facing a lack of creditability which may cause a deficiency in the market

One of the problems of developing the Chinese advertising market may cause a deficiency since part of the industry lacks credibility. This has resulted in 46.6% of customers losing their trust in commercial advertising.

7. China's advertising market still lacks adequate professionals

Secondly, the advertising market in China suffers from a lack of professional manpower, which may affect the normalization of the development of the advertising industry. Especially the illegal advertising during the Olympic Games described in this chapter has seriously damaged the creditability of the industry. In short, China's

advertising market needs more justice and conscience to recover its credibility.

8. The development of China's advertising market will not seriously suffer from the financial crisis

Despite the financial crisis which took place in 2008, consumers in China are optimistic that the economy will recover in a short period. Therefore, the development of the advertising market in China can still be predicted to have a prosperous future, especially the fast growing "low cost" online advertising, which has sufficient potential for further development, and attracts more advertisers.

9. Children will become increasingly important in China's Advertising Market

From the perspective of the population, China is country with the biggest population of children, numbering 325 million, and in anticipation of an oncoming baby boom, spending on children's clothing has increased by a two digit percentage over the past few years. Furthermore, children were said to influence the decision maker in the family in an estimated 68% of household purchases, which amounted to US\$60 billion per year, and it is believed that children's influence on household spending will grow commensurately, and the "children market" will become one of important markets in the future for a number of decades. China's development in any element attracts worldwide attention, and since the Taiwanese share the same culture with the Chinese, Taiwanese people should hold together to create a win-win situation for both sides of any issue, rather than just ignoring the international situation for selfish political benefit.

6.2 Recommendations

This preliminary study of the advertising market in China has produced the above results, and it would also provide the following recommendations for cross-Strait Governments:

1. Taiwan should hold the ideal of win-win cooperation to create a cross-strait advertising market with Chinese characteristics

China's development in any element attracts worldwide attention, and although almost all major multinational advertising corporations around the world have already entered the Chinese market, Taiwan has always been reluctant to do so because of ideological arguments. Yet, the advertising market in China is still abundant with opportunities, which highlights the fact that, even in the current situation of being overtaken by a large number of multinational advertising corporations, it is never too late for cross-strait mutual advertising exchanges to take advantage of gaps in the market. Furthermore, since Taiwanese people share the same culture as the Chinese, Taiwan should hold the ideal of creating a win-win situation by means of using the same language, and strengthen the cooperation of both sides in order to create an advertising market with purer Chinese characteristics.

2. Taiwan's advertising industry should share its senior advertising professionals' experiences with China

In 2009, a spokesman for the Taipei City Government, the Director of the Tourism and Broadcasting Bureau, Xiaodong Yang, called on Taiwanese officials to accelerate the opening of the advertising of Chinese goods in Taiwan, in order to revive the Taiwanese economy and create a win-win situation for cross-strait relations. Many Taiwan county governments had used China's media for fruit marketing and experienced a good performance. However, the Act was limited by Taiwan during the presidencies of Lee Denhuei and Chen Shiubien in the 1990s, which led to a delay in allowing Chinese goods to be advertised in Taiwan. Taiwan has strong advertising human resources, a highly talented group, able to process advertising from Taiwan to China, and this would also help to intersperse the creative talent to expand the

Chinese market by offering adequate professionals, especially since there is insufficient Taiwanese creative talent in China. Moreover, as mentioned above and in chapter 2, the total spending on Taiwan's major media has been positioned in last place among countries in the Asia Pacific region by -1% of annual growth rate in 2007. However, due to being absorbed by numerous professionals of China, the most urgent challenge for Taiwan's advertising industry is the lack of experience of senior professionals. Nevertheless, some of the players in the industry point out that the boom in Taiwan's advertising industry will last no more than ten years. Therefore, it is important for Taiwan's advertising industry to pay more attention to the transmission of the experience of senior advertising professionals before this industry faces the same situation as Hong Kong, an advertising market being marginalized by a "brain drain".

3. China should make it easier to develop its Internet

While the Chinese government retains its consideration of media as a "political service", the tide of the fast changing world economy and social systems are sweeping away traditional politics, and the Chinese government should seriously consider how to catch up with that tide.

As mentioned in chapter 4, China has become the top Internet market with more than 300 million users, and the online advertising spend in China has grown by 50 percent, from US\$731 million in 2007 to US\$1.79 billion in 2008. Thus, China should seriously consider providing the media with more independence, and in particular, the Internet should be able to be accessed more freely to interact with, and facilitate the expansion of, the public's view of the world, in order to create a more open and sound social system in China.

References

- 1888 Press Release, (2009), "IP Surveillance to Drive CCTV Market," available at: <http://www.1888pressrelease.com/ip-surveillance-to-drive-cctv-market-pr-123884.html>. (Viewed on 11 Mar. 2009).
- Administration of Press and Publication of Guangdong Province (2006), "The 10th Anniversary of Guangzhou Daily Newspaper Group," available at: <http://www.xwcbj.gd.gov.cn/news/html//sy/cszx/xwcbglc/bcdt/article/7334471190956.html>. (Viewed on 18 Apr. 2009).
- BBC (2002), "China Rarely Disclosed the Number of Laid-off Workers," available at: http://news.bbc.co.uk/chinese/trad/hi/newsid_1800000/newsid_1805900/1805976.stm. (Viewed on 29 May, 2008).
- Bo, Y. Q. (2009), "New Media in China," available at: <http://www.slideshare.net/plus8star/new-media-in-china>. (Viewed on 9 May, 2008).
- Business Week (2007), "Best Chinese Brands 2006, Emerging Brand Powerhouse," available at: http://www.interbrand.com/images/studies/Interbrand_BCB_2006_En.pdf. (Viewed on 7 August 2008).
- CCW (2006), "2005 Top 10 Ad Media Revealed," available at: http://news.ccw.com.cn/internet/htm2006/20060120_11OT3.htm. (Viewed on 9 May 2008).
- Central Policy Unit (2007), "Social-Economic-Political Trends in Pan-Pearl River Delta Region, 5th Monthly Report," available at: <http://www.cpu.gov.hk/english/documents/new/press/pan-prd%20B05.pdf> (Accessed on 3 Mar. 2009).
- Chan, K. and U. James (2004), *Advertising to Children in China*. Hong Kong: Chinese University of Hong Kong Press.
- Chen, H. L. (2006), "On the Gradual Reform of China's Media System," available at: <http://www.jour.nccu.edu.tw/mcr/0062/05.html>. (Viewed on 23 Mar. 2008).
- Chen, S.S. (2008), "China's Online Ad Market to Weather Global Crisis, May Benefit," available at: <http://tmt.interfaxchina.com/news/768>. (Viewed on 3 Apr. 2009).

China Economic Weekly (2008), “Who Can Win the Olympic Marketing Gold Medal?” available at:

http://mag.chinayes.com/MagazineBase/M24/1260/20080919173727607_3.shtml
1. (Viewed on 6 March, 2009).

China Daily (2004), “A Digital China in the Eyes of Foreigners,” available at:
http://english.peopledaily.com.cn/200412/22/eng20041222_168283.html.
(Viewed on 19 December, 2008).

China Daily (2009), “Internet Eyes Ad Sales in Hard Times,” available at:
http://en.ce.cn/subject/financialcrisis/financialcrisisim/200901/12/t20090112_17929923.shtml. (Viewed on 22 Mar. 2009).

China Investment Net, (2009), “The Advertising Industry to Alleviate Imbalances in Regional Development,” available at:
<http://www.ocn.com.cn/free/200903/guanggaoye260940.htm>. (Viewed on 19 January, 2009)

China Milk Powder Market (2008), “Changsha Infants Market Analysis,” available at:
http://www.nfsc.com.cn/marketing/article_36.shtml (Viewed on 23 Oct. 2008).

China Review News (2008), “NBC Earned 900 million US\$ From Olympic Broacasting,” available at:
<http://www.chinareviewnews.com/crn-webapp/search/allDetail.jsp?id=100702838&sw=%E5%A5%A5%E8%BF%90%E5%B9%BF%E5%91%8A>. (Viewed on 22 Aug. 2008).

China Strategy Net, 2007, “China’s Consumer Market of the Great Differences,” available at: <http://www.bookwoo.com/NewsInfo/25425.aspx>. (Viewed on 20 December 2008).

Chiu, L. (2008), “Top Chinese Web Sites in World’s Largest Internet Population,” available at:
<http://chineseculture.about.com/od/mediainchina/a/topchinesesites.htm>. (Viewed on 23 Oct. 2008).

CIA (2007), “The Chinese Media: More Autonomous and Diverse—Within Limits,” available at:

https://www.cia.gov/library/center-for-the-study-of-intelligence/csi-publications/books-and-monographs/the-chinese-media-more-autonomous-and-diverse-within-limits/copy_of_1.htm. (Viewed on 8 May 2009).

CTR (2009), “Habits of Contacting Media are Changing,” available at:
<http://media.people.com.cn/GB/22114/86916/86917/9168143.html>. (Viewed on 28 Apr. 2008).

CTR and Advertising Age (2006), “Global Players” and “Global Marketing,” available at:
<http://adage.com/images/random/globalplayers2006.pdf>.
<http://adage.com/images/random/datacenter/2008/globalmarketing2008.pdf>.
(Viewed on 6 Mar. 2008).

CTR Market Research (2009), “The Braking Down of China’s Advertising Market in 2009,” available at:
[http:// http://news.enorth.com.cn/system/2009/04/27/003986177.shtml](http://news.enorth.com.cn/system/2009/04/27/003986177.shtml). (Viewed on 23 Feb. 2009)

CTLS (2009), “Chinese High-End Women Lead the-She Era-Luxury Consumer,” available at:
http://www.ctrchina.cn/ctrchina/cn/News_Article.do?article=153. (Viewed on 5 Oct. 2008).

Dentsu (2004-2007), “Annual Year Report, 2004-2007,” available at:
http://www.dentsu.com/ir/marketing/pdf/AR2004_E.pdf.
http://www.dentsu.com/ir/marketing/pdf/AR2005_E.pdf.
http://www.dentsu.com/ir/marketing/pdf/AR2006_E.pdf.
http://www.dentsu.com/ir/marketing/pdf/AR2007_E.pdf.
(Viewed on 22 Dec. 2008).

Deloitte Research Study (2009), “China’s Consumer Market: Opportunities and Risks,” available at:
http://www.bglegis.com/China_Consumer.pdf. (Viewed on 23 Oct. 2009)

Ding, J. J. (2009), “Some Problems of Advertising Education in China,” available at:
<http://www.cnadtop.com/guandian/guanggaojiaoyu/2009/6/19/17ce6c28-caaa-48>

0e-a25a-98bc820913e7.htm. (Viewed on 12 Apr. 2009).

Du, G. C. (2008), *Intense Changes of New Media*. Beijing: China CITIC Press.

Economic Daily (2009), "Chinese Local Governments are Preventing Malignant Collapse," available at:
http://mag.udn.com/mag/world/storypage.jsp?f_ART_ID=170892. (Viewed on 5 Apr, 2009).

Fang, R. B. (2004), *25 Years in China's Advertising*. Beijing: China Encyclopedia Publishing House.

Financial Times (2009), "Premier Wen Jiabao's Interview with the Financial Times," available at: <http://www.fmprc.gov.cn/eng/zxxx/t535971.htm>. (Viewed on 6 Apr. 2009).

Finfacts (2005), "China Responsible For 75% of Poverty Reduction in The Developing World Since 1980," available at:
http://www.finfacts.ie/irelandbusinessnews/publish/article_10003611.shtml.
(Viewed on 4 Feb. 2007).

Fortune (2006), "The Most Valuable Brands in China Unveiled," available at:
http://english.peopledaily.com.cn/200606/06/eng20060606_271534.html.
(Viewed on 21 Jul. 2008).

Gu, S. H. (2007), *The History of China Advertising*. Jinan, Shandong: Jinan University Press.

Hong Kong Trade Development Council (2005), "The Hegemony of Global Advertising Giants," available at:
http://info.hktdc.com/report/top/top_050605.htm. (Viewed on 23, Sep. 2006).

Hsiao, H. Y. (2007), "China is Never A Single Market," available at:
<http://www.bookwoo.com/NewsInfo/25425.aspx>. (Viewed on 23 Oct. 2008).

Huang H. F. and H. Y. Ma, (2006), "Aspect of China's Regional Development," available at :
http://big5.china.com.cn/zhuanti2005/txt/2006-03/29/content_6169092.htm.

(Viewed on 22 July 2008).

Huang, S. M., K. C. Ding, and H. D. Shiao, (2009), *Report on the Promotion Trend of China's Advertisers*. Beijing: Social Sciences Academy Press.

Itamar Medeiros (2009), "Advertising in China: Revenue Reaches \$27.78 Billion US Dollars in 2008," available at:
<http://designative.info/2009/03/23/advertising-in-china-revenue-reaches-2778-bl-n-us-dollars-in-2008/>. (Viewed on 3 March 2009).

Kaplan, M. H. (2008), "Obama's Olympic Advertising Buy," available at:
<http://politicsandsociety.usc.edu/2008/08/obama-olympic-ad-buy.html>. (Viewed on 4 Oct. 2008).

Lane K., I. St-Maurice, and C. S. Dyckerhoff, (2006), "Building Brands in China," available at:
http://www.mckinseyquarterly.com/Retail_Consumer_Goods/Building_brands_in_China_1795. (Viewed on 13 Nov. 2008).

Li, W. T. (2008), "Commercial Appeal," available at:
http://www.chinadaily.com.cn/bw/2008-03/10/content_6521035.htm. (Viewed on 10 Oct. 2008).

Li, S. (2006), "Venerable Tong Ren Tang Goes Global," available at
<http://www.chinatoday.com.cn/English/e2005/e200506/p72.htm>. (Viewed on 11 Nov. 2008).

Lin, C. J. (2006), "China Increased Its GDP, the Inspiration for Taiwan," available at:
<http://old.npf.org.tw/PUBLICATION/TE/095/TE-B-095-002.htm>, (Viewed on 13 Oct. 2008).

Liu, H. (2007), "The Interaction Between New Media and Old Media: Influencing the Politics of China," available at:
http://www.nottingham.ac.uk/cpi/events/event_reports/ict_symposium_14_15_06_2007/presentation/LIU_Hong.pdf. (Viewed on 11 Oct. 2008).

McKinsey (2009), "The Number of Well-off Families in China Will Top the World's

Fourth,” available at:

http://www.mckinsey.com/locations/chinasimplified/mckonchina/reports/china_wealthy_household.aspx. (Viewed on 7 Jun. 2008).

Meng, J. (2003), “China’s Advertising Industry and The Development of Chinese Consumption Patterns,” available at:

<http://www.cjr.com.cn/05cjr/system/2003/10/21/002027870.shtml>.

Modern Advertising (2006), “2005 Statistics Report on China Advertising Market,” available at:

<http://www.gotoread.com/s/e/?vo=977&p=40>. (Viewed on 22 Feb. 2008).

Modern Advertising (2009), “China’s Advertising Industry, 2008 Annual Report of The Ecological Survey,” available at:

<http://www.adnews.com.cn/bt.asp?bt=调查显示：广告公司普遍对2009年经营情况信心不足>. (Viewed on 7 Feb. 2008).

Mondo Times (2008), “China National News Media,” available at:

<http://www.mondotimes.com/1/world/cn/192/majormedia>. (Viewed on 21 Dec. 2008).

Morris, P. (2004), “China’s Internet Portals Post Impressive Results,” available at:

<http://www.atimes.com/atimes/China/FB06Ad02.html>. (Viewed on 23 Apr. 2009).

Muzi (2006), “Survive or Death, Foreign Advertisers’ Investment Flushing into China,” available at: http://home.muzi.com/cc/fanti/10328_19931.shtml?Q=1426478. (Viewed on 3, Oct. 2007).

New York Times (2008), “Summer in Beijing Was Strong For Sports, But Weak For Ads,” available at:

<http://www.nytimes.com/2008/11/21/business/media/21adcol.html>. (Viewed on 6 May. 2008).

Netpop Research (2009), “Chinese Social Media User Surpasses US,” available at:

<http://www.marketingcharts.com/interactive/social-networking-grows-93-communication-becomes-entertainment-8576/netpop-social-network-vast-majority-broadband-users-contribute-2009jpg>. (Viewed on May 23 2009).

Nielsen Media Research (2007), “Main Media Advertising Grown 15% in Asia-Pacific Region in 2006,” available at:
<http://tw.nielsen.com/site/news20070416.htm>. (Viewed on 13 Aug. 2008).

Nielsen Media Research (2008), “Ad Spend Soars in Asia Pacific, Ahead of Other Regions:12% Overall Growth in Main Media For 2007,” available at:
<http://tw.en.acnielsen.com/site/news20080527e.shtml>. (Viewed on 19 December, 2008).

Nielson Wired (2008), “China: Unprecedented Ad Spending Drop During Olympics,” available at:
<http://blog.nielsen.com/nielsenwire/tag/beijing-olympics/>. (Viewed on 9 Sep. 2008).

Normandy, M. (2008), “China TV Auction Shows Little Sign of Economic Meltdown,” available at:
http://adage.com/article?article_id=132776. (Viewed on 1 Oct. 2008).

Pan, D. (2006), “Foreigners Encircle China’s Ad Market,” available at:
http://www.atimes.com/atimes/China_Business/HG08Cb01.html. (Viewed on 22 Sep. 2008).

Pfanner, E. (2008), “Games Gave No Bounce, Even in China,” available at:
<http://www.mydigitalfc.com/advertising/games-gave-no-%E2%80%98bounce%E2%80%99even-china-598>. (Viewed on 3 Oct. 2008).

PRNewswire, (2007), “Spending on Convergent Platforms Will Exceed 50% of Global Entertainment & Media Spending by 2011,” available at:
<http://usstock1.jrj.com.cn/news/2007-06-21/000002350267.html>. (Viewed on 9 Oct. 2008).

Reuters (2008), “World Bank Cuts China GDP Forecast As Crisis Bites,” available at:
http://www.javno.com/en-economy/w-bank-cuts-china-gdp-forecast-as-crisis-bites_207471. (Viewed on 8 Sep. 2008).

Roach, S. S. (2006), “Understanding the Chinese Consumer,” available at:
<http://www.theglobalist.com/storyid.aspx?StoryId=5261>.

- Searchina Research Inquiry (2009), "People of Different Ages Result Difference of Contacting Media," available at:
<http://big5.chinabgao.com/gate/big5/www.chinabgao.com/freereports/20270.htm>
1. (Viewed on 18 March, 2009).
- Sun, S. H. (2007), *"The History of China Advertising,"* Jinan: Shandong: Jinan Jing Shen Printing.
- Times (2005), "China's Advertising Market Soon to Be Second to America's," available at:
http://business.timesonline.co.uk/tol/business/industry_sectors/media/article559516.ece. (Viewed on 15 Dec. 2007).
- TMT China (2008), "Online Advertising Standards Need Government Support," available at:
<http://tmt.interfaxchina.com/news/1012>. (Viewed on 12 Dec. 2008).
- United Daily News (2009), "The Economic Recession is Just Begin," available at:
<http://money.udn.com/html/rpt/rpt103647.html>. (Viewed on 3 Dec. 2008).
- Wall Street Journal (2008), "Marketers Flock to China's Biggest TV Network," available at:
<http://online.wsj.com/article/SB122712386114841587.html>. (Viewed on 5 Oct. 2008).
- Washington Post (2007), "Illiteracy Jumps in China, Despite 50-Year Campaign to Eradicate It," available at:
<http://www.washingtonpost.com/wp-dyn/content/article/2007/04/26/AR2007042602452.html>. (Viewed on 6 Feb. 2008).
- Wenweipo (2008), "CCTV-Olympic Advertising Revenue 2 Billion," available at:
<http://news.wenweipo.com/2008/08/27/IN0808270024.htm>. (Viewed on 4 Sep. 2008).
- Wikipedia (2008), "List of Newspapers in The World by Circulation," available at:
http://en.wikipedia.org/wiki/List_of_newspapers_in_the_World_by_circulation.
(Viewed on 23, Mar. 2009).

World Association of Newspapers (2006), "World Press Trends: Newspaper Circulation, Advertising Increases," available at:
http://www.wan-press.org/article11185.html?var_recherche=top100+of+newspaper+by+circulation+2008. (Viewed on 23, May 2007).

Wu, F. (2006), "The Report of 10 Major Innovation of Chinese Newspaper Group," available at:
<http://media.people.com.cn/BIG5/22114/45733/62666/4324225.html>. (Viewed on 1 Oct. 2008).

Wu, L. (2005), *Report of China's Advertising Development*. Wuhan, Hubei: Wuhan University Press.

Xinhua Net (2005), "15% of Well-Known Trademarks in China by Foreign Registered," available at:
http://big5.xinhuanet.com/gate/big5/news.xinhuanet.com/weekend/2005-08/06/content_3316853.htm. (Viewed on 5 Aug. 2008).

Xinhua Net (2007), "Seventeenth Party Congress-Dictionary: Socialism with Chinese Characteristics," available at:
http://news.xinhuanet.com/newscenter/2007-10/16/content_6889438.htm. (Viewed on 3 Nov. 2008).

Xinhua Net (2008a), "Internet V.S. TV, Olympic Reports Upgraded," available at:
http://big5.xinhuanet.com/gate/big5/news.xinhuanet.com/internet/2008-08/13/content_9242676.htm. (Viewed on 3 Sep. 2008).

Xinhua Net (2008b), "China's Internet Advertising Industry's First Standard Starting on January 1st," available at:
http://big5.xinhuanet.com/gate/big5/news.xinhuanet.com/internet/2009-01/01/content_10587973.htm. (Viewed on 13 Feb. 2008).

Xinhua Net (2009), "Financial Crisis, the Birth of China's Online Shopping Boom," available at:
http://news.xinhuanet.com/newscenter/2009-02/01/content_10745920.htm. (Viewed on 1 May 2009).

Xinhua News Agency (2002), “China’s Large State-Owned Joint Venture Advertising Companies to Carry Out a Rainy Day,” available at:
<http://www.whhd.gov.cn/news/oldnews/103855476709552100.html>. (Viewed on 12 Sep. 2007).

Yu, S. Y. (2000), “Xenophobia is One of China’s Traditions,” available at:
<http://www.muzi.com/library/ar/fanti/125848.shtml>. (Viewed on 4 Oct. 2007).

Zhang, K. (2007), “The History of World News From the Perspective of China’s Newspaper Group,” available at:
<http://xwjz1.eastday.com/epublish/gb/paper159/200007/class015900002/hwz578471.htm>. (Viewed on 13 Jan. 2008).

